The Role of the Church in Microcredit Financing for Business Development in Tanzania

By
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Abstract

The paper recognizes poverty as one of the major challenges to development in developing countries in general and in Tanzania in particular, but one which can be alleviated by various interventions, including micro credit financing of micro-enterprise activities. It acknowledges the definition of the poor as characterized by spiritual poverty, very low family income, powerlessness, physical weariness, isolation and vulnerability. The paper specifically examines the role of microcredit financing supported by community-based organizations in the alleviation of poverty in Tanzania. It further recognizes that the church has played major roles in development in Tanzania and focuses on one of these roles, microcredit financing of small businesses.

A micro credit scheme involves the supply of micro loans, savings and other financial services to the poor to directly increase their ability to provide income for themselves, their families, and for those of their employees. The scheme operates on the premise that the poor will invest loans in micro enterprises, repaying the loans out of profits, and the enterprise will grow, potentially lifting large numbers of people out of poverty. Typically, the poor are involved as vendors, keepers of small shops, and makers of crafts. The scheme provides various combinations of financial and technical assistance, informal training and other services to the poor.

This paper specifically examines the role of micro-credit financing supported by community-based church organizations in the development of the poor in Tanzania. The objective was to discover the styles of management policies and their achievement. It limits itself to Tanzania, but a comparison of practices in six countries of Africa was made, to best understand and learn from practices in those countries. It uses the empirical findings of three interrelated studies spanning a period of thirteen years (1990 to 2003), a broad array of some theoretical analyses, and materials of the best practices based on field experiences in four West African countries and six Eastern and Southern African countries. The work included open-ended, semi-structured interviews and questionnaires for data gathering but also recourse to anecdotal experiences. An interactive approach was used when dealing with Tanzanian government and church officials. Reviewing of documents, articles and reports on micro-enterprise were helpful in understanding the socio-economic, political, cultural and environmental implications of establishing micro credit programs. The review assisted in giving background information on micro-enterprises and experiences of others in Africa and other parts of the world. The review set out to determine the suitability of rural credit schemes as one of the necessary interventions in addressing poverty and examining the role of micro credit financing supported by community-based organizations in the development of the poor in Tanzania. Visits and interviews with other organizations currently involved in microcredit financing programs were made.

The findings indicate that micro credit funding is a necessary development intervention especially for poor people who earn their living through self-employment and business ownership, because it provides the needed inputs to undertake micro enterprises. Microcredit succeeds mostly when administered by and through community based churches or church organizations. Some of the reasons for success are conviction, integrity and commitment integrity on the part of churches and church organizations on the one hand, as well as the full commitment, involvement and training of beneficiaries on the other.

The study also identified some weaknesses on the part these organizations. They include the following: 1) micro credits finance generally has served the poor people but not necessarily the very poor who were the main focus of the program; 2) a lack of trained manpower to administer the program; 3) ignorance on the part of beneficiaries; 4) lack of relevant courses at Christian Colleges (where most of Churches would normally send their employees for training); 5) dishonesty on the part of program administrators; and 6) lack of initial funds from which microcredit would be given. Women are singled out as needing special consideration in getting direct assistance because their programs have proved to be very successful.

The paper recommends that the Tanzanian government together with organizations, especially international aid agencies wishing to work with the poor, should support a micro credit scheme. It is one of most effective ways of alleviating poverty by empowering the majority of people living in marginal areas. The micro credit program should not only involve access to finances, but also offer skills training to beneficiaries through community based church organizations, which act as intermediaries. Also considered to be important and urgent is the need to build the capacity of churches and church organizations to better equip them to administer microfinance programs. In addition, Christian colleges in Tanzania and East Africa (from where most of the Christian organizations draw their employees) should establish courses in small business development including microcredit financing. Even though women have undertaken more successful programs, most of them succeed with very little training. The study recognizes that they would do even better if they were trained.

1. Background and Rationale

Poverty is one of the major challenges developing countries in general and Tanzania in particular. Across the world, many countries, including Tanzania, have used various interventions to alleviate poverty. One of the strategies that has worked well in Tanzania is the use of micro credit finance programs, whereby micro-enterprise activities are financed through micro credit. This paper specifically examines the role of micro-credit financing supported by community based church organizations in the development of the poor in Tanzania. It uses the empirical findings of three interrelated studies spanning a period of thirteen years (1990 to 2003), a broad array of some theoretical analyses, and materials of one of the best practices based on field experiences. The three studies are: 1) Fighting Poverty through Micro Finance Credit Intervention in Tanzania (Mpesha, 1990); 2) Micro Project Rural Loan Scheme Study in Tanzania (Mpesha, 1996); 3) The Role of Churches in Development in Tanzania (Mpesha, 2003).

Whereas the subject of micro credit finance programs has attracted many researchers and many works have been written on this subject., hardly any studies exist that examine what the role of churches has been in this area. Study one (Mpesha, 1990), conducted in 1990 for a leading Christian NGO revealed among other things, that churches, working in partnership with this NGO (with the NGO acting as a funding agency) were operating revolving funds programs. They administered micro credit loans to poor people in rural areas of Tanzania. It further revealed that the demand of this service was on the increase because of the negative consequences of the closure of rural bank branches and cooperative unions that directed credit schemes for the rural poor. The findings of this study were communicated to the Government of Tanzania (GOT) and other development NGOs. Many church-based NGOs were encouraged by these findings and stepped in with their resources to incorporate micro credit financing for income-generating activities in their development program. They designed them in such a way that they could provide capital to the poor in the form of micro-credit. GOT on the other hand was challenged by such findings and responded by looking into ways of pursuing this model of development through a micro finance scheme for the rural poor. This led to the study, Micro Project Rural Loan Scheme, which was commissioned by GOT.

The second study (Mpesha, 1996), was a major research project conducted in1996, which provided a springboard for current micro credit finance policy of GOT. The study had five objectives, which included determining an appropriate model of supporting a micro finance program in rural areas of Tanzania. One of the profound findings, which confirmed the findings of the study “Fighting Poverty through Micro Finance Credit Intervention in Tanzania”, was the deep involvement of churches in micro credit financing to rural poor. The model recommended by the study stipulated, among other things, the use of community based micro finance institutions/intermediaries, through which to disburse micro credits. Churches and church organizations emerged as the most appropriate intermediaries to use because they were already doing a similar job very well on their own and sometimes with the support of external donors. The bulk of this paper comprises the findings of this study and the evaluative follow up study on the role of churches regarding development in Tanzania.

The third study (Mpesha, 2003) was conducted in 2003 and focused on the broad involvement of churches in development in Tanzania. The study made a specific reference to micro financing and found out most of the main churches in Tanzania are organized nationally. The central organization has made it possible for them to subscribe to a common philosophy upon which the churches involved themselves in development. The study found that the churches are subscribing to the notion that the church should be involved in and are actually helping community members improve their lives.

The churches see themselves as being part of the society. They believe that they risk becoming irrelevant if they do not deal with things that concern the larger community. The involvement of the churches in micro credit finance is seen in the light of their mission of creativity - by leading the way with new approaches and style of development work. This includes supporting income-generating activities for families and communities as a whole through micro credit finance to the poor. The study findings show that churches have played a major role by using community based micro credit financing in the development of the poor in Tanzania. This is the main subject of this paper.

1.1 State of Development in Tanzania

According to the World Bank (World Bank, 2000), Tanzania, situated on the east coast of Africa, is one of the poorest countries in the world with approximately 60 per cent of the population living at below USD 2 per day. Tanzania is a country with an estimated population of 34.5 million (World Bank, 2003), and a per capita income of USD 270. The economy depends heavily on agriculture, which accounts for half of GDP (estimated at $20.42 billion in 2002), provides 85% of exports, and employs 80% of the work force. About 80% of the country's population lives in rural areas where 70% of Tanzania's national output is produced. The rural sector, like in many other African countries, has largely remained underdeveloped. It is estimated that 90% of the country's poor live in rural areas. Development of the rural sector is therefore central in Tanzania's strategy to increase national output and employment, and in its fight against poverty. The challenge in Tanzania's rural development remains that of identifying sustainable ways of enabling the main sectors of the rural economy, agriculture and micro enterprises, to achieve their growth potential. Topography and climatic conditions, however, limit cultivated crops to only 4% of the land area. Industry traditionally features the processing of agricultural products and light consumer goods. Recently the World Bank, the International Monetary Fund, and bilateral donors have provided funds to rehabilitate Tanzania's out-of-date economic infrastructure and to alleviate poverty. Growth between 1991and 2002 featured a pickup in industrial production (in the areas of agricultural processing of sugar, beer, cigarettes, sisal twine) and a substantial increase in output of minerals, led by gold and diamond. Oil and gas exploration and development played an important role in this growth.

Tanzania gained independence from the United Kingdom in 1961. As a new nation and through the leadership of its first President, Julius Nyerere Tanzania identified poverty, ignorance and diseases as the major challenges of development in Tanzania. President Nyerere further identified the following as pre-requisites for development: Land, People, Good Policies and Good Leadership. Most of Tanzania’s development endeavors were geared towards responding to these challenges. Nyerere articulated his view of development very early in his leadership of Tanzania (*Nyerere, 1968).* He insisted that poverty is always a consequence of deprivation of the people’s freedom, that is, rights, opportunities, entitlement and guarantees. He stressed that development is about people (Heinrich Boll Foundation, 2002*)*.

Recent banking reforms have helped increase private sector growth and investment, stimulating an average economic growth of 3.1 percent in 1990-2001 (World Bank, 2003). Continued donor support and solid macroeconomic policies should support continued real GDP growth of between 5% and 6% in 2004.

Experience from around the world (Kopp, D.A. 1995) shows that well designed micro finance programs can make a significant impact on the living conditions of the poor by increasing family income. The living conditions of the poor in Tanzania are recognized as characterized by material and spiritual poverty, very low family income, powerlessness, physical weariness, isolation and vulnerability. Therefore, support to the rural financial services sector in Tanzania is considered an essential and critical ingredient in addressing some of these poverty characteristics especially in the rural areas where most of the poor people live. The reforms in the financial sector initiated by the Government of Tanzania since 1991 were aimed at creating an effective and efficient financial system. However, they also had some negative consequences such as the closure of many rural bank branches during the restructuring programs and the closing down of most credit schemes. As a result, there has been a significant reduction in financial services to low-income people, both in urban and rural areas. In short, the reforms have resulted in a "financial services gap" which needs to be addressed.

One of the strategies of addressing this financial services gap is to avail credit. This gives people opportunities, rights and entitlement to capital. The main avenue for credit in Tanzania was through the cooperative movement represented by Cooperative Unions providing its members with a range of services including credit marketing. People who had no collateral to offer in order to get loans from the banks could secure credit from their cooperatives. This was particularly useful to most of the rural small-scale farmers. Tanzania has had different initiatives and schemes aimed at establishing a credit delivery system particularly for small-scale farmers. The degree of success of these initiatives and schemes can be attributed to the socio-economic policies and strategies pursued by the government.

The cooperatives and the nationalized banks were the two major actors in providing formal credit. First, the cooperatives were successfully serving their members until the Government started to interfere with their operations in 1978. They were providing credit facilities for production purposes to the farmers who would repay the loans after selling their produce. Some like Bukoba Native Cooperative Union (BNCU), Nyanza Cooperative Union (NCU) and Kilimanjaro Native Cooperative Union (KNCU) were well established and very close to their members. The Government felt uneasy with the economic powers the cooperative had. GOT was of the opinion that some of the socialist agenda could not easily be implemented along side a strong independent cooperative movement. Because of the perceived threat, the Government, through repeated legal and political changes, dissolved the Cooperatives and transformed them into tools of the government in 1976. Their assets were redistributed to the new marketing boards and Parastatals (Government of Tanzania 1992b). This threw credit and savings schemes administered by the Cooperative Unions into turmoil and most poor people were left without sources of credit.

Second, the banks were not well disposed towards lending to small entrepreneurs or farmers without collateral. In most cases, the banks involved in credit schemes discovered that loanees did not repay for lack of effective supervision. This partly explains the reasons behind poor performance of the defunct Tanzania Rural Development Bank (TRDB) and the Cooperative and Rural development Bank (CRDB). In the years 1985/6, 1986/7 and 1988/7 CRDB achieved loan repayment rates of 39%, 49% and 7% respectively. In 1992, CRDB (CRDB Annual Report 1992) had loan arrears amounting to 66%. The 1992 annual report (NBC Annual Report (1992) gave loan arrears of 70% for the National Bank of Commerce (NBC) for 1988 and 1992. Their bureaucracy, poor management and lack of close contact with the borrowers caused the poor performance of these institutions. Their operation resulted in the neglect of "mobilization of savings" which is essential in a successful loan repayment programs.

Until the adoption of the Arusha Declaration (Nyerere, 1967) in 1967, which ushered in Ujamaa, the family based socialist economic policies, the Government continued with a mixed market economy. With the onset of the Arusha Declaration, things took another turn. The policy was geared towards having institutions, which would help build and inculcate socialist ideology and practices. Collective economic production was more favored than individual enterprises. The spirit of entrepreneurship and profit making was suppressed under the assumption that people working together in "Economic Groups" would more easily acquire the required production tools and technology. It was assumed that this system would attain higher productivity. In the same vein, entrepreneurs were encouraged to work together in groups and any grant or loan from either Government or NGOs (NGOs had to follow this line in conformity with the government policy) was directed to the groups rather than individuals. This introduced group joint ventures in the country.

1.2 The Development of Micro-Enterprise in Tanzania

Tanzania’s economy is still underdeveloped and for a very long time the country has depended on external assistance for its development. Since the 1970s, the country has received nearly One Trillion US Dollars of external assistance (Netherlands Development Cooperation, 1994). In the year 1990 alone, the country's annual assistance was about One Billion US Dollars and in 1992, 50% of the reported GNP was contributed from external assistance (Kopp, 1995).

Though Tanzania has received enormous foreign assistance, the country has had little development. Since independence, the government has adopted a number of policies aimed at reviving the national economy. First, the national economy was centrally controlled by the government; later it was put under public ownership, leaving very little chance for the informal sector to develop. The government controlled market prices of commodities. At the same time, the perception of the people towards employment focused on the formal sector due to Tanzanian education system. GOT departments and related organizations employed more of the people in the country than any other sector. The school leavers at all levels, primary, secondary schools, colleges and universities depended more on the employment in the formal sector leaving the informal sector to employ the peasant farmers and petty traders. The government's effort to encourage public ownership, as a way of improving the country’s economy was a short-lived strategy. For instance, in 1984 the public sector's employment sector alone rose to 77%, a much higher employment rate than in the formal sector. Parastatals were booming at this time in the country. A few years later, because of the mismanagement and low production, most of the Parastatals, ended up running into losses and could no longer support their employees. Most people lost their jobs and many had to turn to the informal sector as a means of earning a living.

Since the 1980s, the informal sector has appeared to show gradual growth. Many changes have taken place, which favor the growth of the informal sector including:

1. The privatization of state owned enterprises. Official government policy shows that there is a shift of emphasis on the management of the country's economy. The shift favors the development of the informal sector (Kopp, 1995).
2. The gradual liberalization by the government to some extent and their moving from central control. Businesses dominated by small traders (grain traders) have increased sevenfold between 1981 and 1988, as result of the Government's initiatives to remove the restrictions on grain trade (Kopp, 1995).
3. The creation of employment between 1991 and 1992 in the informal sector is reported to have increased to 2.4 million people; a 22% of the total labor force in the country (Kopp, 1995).
4. The recruitment of people into jobs for the last ten years into informal sector has risen to 56,000 people per year as opposed to 20,000 people in the formal sector (Government of Tanzania 1992).
5. The increase in the private sector, as indicated in the DANIDA Survey conducted in 1995 shows that about two thirds of the GNP and about three quarters of Tanzanian's exports are being generated by private sector, indicating an increasing contribution of the sector in the national economy.
6. An increase in employment in the informal sector is indicated in the report of the household interviews surveys conducted recently by the World Bank in the slum areas in Dar es Salaam (Manzese, Buguruni and Vingunguti). The survey shows that 47% of the household identified themselves as self-employed, while 6.7% were employed in the Informal Sector and 7.4% were casual laborers.
7. An increase of micro-enterprises as shown in the Bureau of Statistics Survey conducted in 1989 indicates that in the city of Dar- es- Salaam, the numbers of micro-enterprises established by 1989 were estimated to be three times more than in the 1970s.
8. An increase of employment due to establishment of micro-enterprise programs as indicated in the 1990 World Bank Survey of 20 informal sector establishments in Dar-es-Salaam showed that micro-enterprises programs had doubled in their employment levels and in the number of licenses issued between 1980 and 1990.
9. The increase in output in small and medium business is indicated in the Industrial Survey conducted by the World Bank in Tanzania (1989), which shows that the output in most of the larger firms declined while output in small and medium size firms expanded. This trend suggests that there is a higher efficiency in the informal sector than in the formal sector.

10. A small number of the Tanzanian population has had access to credit facilities. This is mainly because they are very few and inadequate compared to the country's demand for credit-supported activities. The baseline survey conducted in 1995 by World Vision (World Vision Tanzania, 1995). confirms the strong need for credit schemes in Tanzania. The findings also confirmed that 69% of the existing small-scale enterprises in the regions surveyed experienced lack of working capital. In addition, 69% of the entrepreneurs expressed the desire to expand their business if credit was made available to them. The study also concluded that credit schemes and business management training were essential to introducing the micro-enterprise programs in the country. Consequently, World Vision started a Small Enterprise Development Association (SEDA) program with several other NGOs following suit.
11. Micro credit succeeds mostly when administered through community-based organizations and with the full involvement and training of beneficiaries.

Micro-Credit Finance as a Development Tool

Micro-credit (or more broadly, micro-finance) is a proven anti-poverty strategy that centers around providing small loans, often under $100, to poor and very poor people, for the purpose of enabling them to earn additional income by investing in the establishment or expansion of "micro-businesses" such as raising livestock, food processing, tailoring and hundreds of other enterprises. In most cases, such poor people rarely have sufficient collateral to meet loan requirements at traditional banks. Therefore, a micro finance program is introduced to supply micro loans, savings, and other financial services to the poor. It operates on the premise that the poor will invest loans in micro enterprises, repaying the loans out of profits, and the enterprise will grow, thereby potentially lifting large numbers of people out of poverty. According to the World Bank report, only 2.5 percent of potential micro enterprises operators have access to financial services other than moneylenders. GOT embraced this model and decided that the objectives of the micro finance program are to:

- Reduce poverty among participants- target the poor and very poor (where the "very poor" is defined by United Nations as those living in the bottom 50 percent below the poverty line as established by the national government of the country);
- Encourage women's participation; and
- Develop sustainable micro finance institutions/intermediaries that administer the scheme. It involves giving micro-loans to beneficiaries in order to increase the ability of self-employed poor and owners of very small businesses to provide income for themselves, their families, and for those of their employees. The scheme provides any combination of financial and technical assistance, informal training and other services to the poor.

Grameen Bank is the pioneer of small loans to the poor, to fight poverty all over the world. The Grameen Bank was started in Bangladesh in 1976 as an action-research project that attempted to provide tiny loans to very poor people to allow them to start "micro-businesses." Twenty-five years later, Grameen Bank has 2.4 million borrowers, 94% of who are women, and has loaned more than $3.7 billion in amounts averaging less than $200. Grameen Foundation USA was established in 1997 to provide financing, technical assistance and technology support to the growing numbers of grassroots institutions that are successfully replicating Grameen Bank's success in countries as diverse as Malaysia, India, Uganda, Mexico and the United States.

Study one (Mpesha, 1990) revealed three major points. First, that bringing more income to the households and creating employment should form part of the strategy for fighting against poverty in development program areas. Second, that lack of capital is one of the major challenges in creating an environment for bringing more income to the households and creating employment for the citizens and therefore accessing the needed capital ought to be given high priority. Third, churches operating in partnership with this NGO (acting as a funding agency) were operating revolving funds programs, which administered micro credit loans to poor people in rural areas. According to the study, many NGOs (most of which were church based) are involved in development in Tanzania, especially in rural areas. The findings of this specific NGO are confirmed by GOT reports from local government offices in the districts. They acknowledged that lack of capital was one of the major challenges small businesses in Tanzania face. The findings and recommendations were communicated to the GOT and development NGOs. The findings included the negative consequences of the closure of rural bank branches and cooperative unions that directed credit schemes in rural areas. The closure of rural bank branches and cooperative unions left the rural poor without any source of micro credit needed to support their business endeavors. NGOs stepped in with the little resources they had and started incorporating income-generating activities in their development program. They designed them in such a way that they could provide capital to poor citizens in form of micro-credit.

The findings in the first study (Mpesha, 1990) went a long way to concretize GOT's view hitherto not supported by research, that bringing more income to the households and creating employment for the citizens would generate growth in the economy. One of the ways of achieving this growth is through micro financing of income generating activities. GOT found out that some NGOs were already involved in successful micro financing and got interested in understanding how these NGOs (especially faith based NGOs) were administering such programs. As a way of encouraging micro credit financing for development, GOT decided to support the NGO endeavors but had neither the resources nor technical expertise to do so. GOT, therefore, sought the support of the European Union (EU) for financial support and the Bank of Tanzania for technical support.

In seeking financial support from the European Union (EU), GOT secured a micro-projects program, named Micro-Project Programmes (MPP). This facility was part of the Lome Convention, signed between EU and ACP (African, Caribbean & Pacific) states, including Tanzania. The first phase of MPP started in fiscal year 1993/4. It focused on local communities and groups. The European Development Fund (EDF) contributed in form of a grant, 75% of the cost of the program. A pilot phase undertaken in 1993/4 assisted 23 projects in 12 regions. The program assisted forty-five projects in eight different regions in fiscal year 1994/5. Seventy projects were implemented in eight regions of Tanzania in the fiscal year 1995/6. The program covered activities in the social, economic and agricultural sectors. Based on the experience gained from this program and the findings of the 1990 study (Mpesha, 1990) GOT concluded that a micro- credit financing scheme was one of the ways of supporting small-scale entrepreneurs because they did not have access to credit from conventional banks due to lack of collateral. GOT and the European Union agreed to set up an appropriate credit for these micro entrepreneurs who formed a significant proportion of the population and whose earnings were estimated at 30% of the national GDP. The intention of establishing the scheme was to fill the gap of providing loans for starting new ventures and expanding existing micro-enterprise.

GOT was determined to succeed in this venture and decided to do it right. It contracted KAKA Management Consultants in 1996 to conduct this study. A team of consultants, headed by Aba Mpesha, did the study. This ushered in the second study, which we examine in detail in the following sections.

1.3. Objectives of the Second study

The overall objective of the study was to determine whether a micro credit financing program among the poor in rural areas in Tanzania can help alleviate some impact of poverty by incrementally improving borrowers' income levels and improving quality of life. The study was to further propose the best ways of operating and sustaining such a scheme. The specific objectives of the study were to:

- Show how micro credit financing program helped alleviate some impact of poverty by incrementally improving income of the borrowers, workers and families and improving their quality of life.
- Determine whether the micro finance activities served both the very poor and the poor.
- Determine an appropriate model of supporting micro finance program in rural areas of Tanzania.
- Propose a system for operating a pilot micro finance program to facilitate undertaking such a scheme on a large scale including: formulation of the selection criteria of the region and district in which to operate a pilot program; identification of successful activities supported by the program; formulation of criteria for selecting intermediaries.
- Determine ways of developing sustainable micro-credit finance institutions.

This paper limits itself to the objectives of determining ways of developing sustainable micro credit finance institutions.

1.4 Limitation of the Scope

Since we are limiting this paper to the role of the church in micro credit lending, some of the details of how the study was done and the findings therein have been summarized.

2. Methodology of the Second study

Varieties of methods were combined to gather the information and included: Experiences, Field Visits, Interviews - open ended, semi-structured, and Questionnaires.

Because of budget and time constraints, three representative regions were visited. The rationale for selecting these regions was:

- These regions had common climatic characteristics.
- The common characteristics would allow future replication of the economic activities in all the regions.
- Ease of accessibility
- Presence of micro credit finance program as based on the information obtained from the GOT sources and Mpesha study

Before the fieldwork, the consultants prepared a list of 26 NGOs (intermediaries- 5 in Coast, 7 in Mbeya and 14 in Mwanza, currently involved in micro- enterprise programs). The consultants also contacted relevant (3) regional and (10) district offices and also obtained a list of intermediaries in the three regions.

Three representative regions were selected in accordance with GOT guidelines:

1. Mbeya Region - Mbeya has similar climate and agriculture profiles to that found in Ruvuma, Rukwa, Iringa, Kilimanjaro, Arusha and Kagera.
2. Mwanza Region - Mwanza was selected because it has the same characteristics with other regions like Shinyanga, Singida and Dodoma.
3. Coast Region – It was selected as it has similar characteristics with Dar-es-Salaam, Morogoro and Tanga Regions.

The study used some of the criteria set out by Edgcomb and Cawley (Elaine Edgcomb & Junes Cawley 1993) in selecting the regions. The following important determining factors were considered:

1. The community, though poor, proved to be economically active and prepared to work for themselves not just expecting to receive handouts. The groups considered were currently involved, though in a small way, in an activity capable of sustaining an economic activity.
2. There was existence of a genuine intermediary with experience to handle rural loan scheme.
3. There were not too many NGOs in the pilot areas already operating micro credit program. This was to avoid interfering with EDP loan scheme management standards.
4. Community members with practice in borrowing, lending and repaying, were ranked higher, though these were using traditional borrowing and lending methods, as they knew the importance of borrowing and repaying.
5. Availability of financial institutions where the loanees can deposit their savings to gain interest.
6. Existence of infrastructure to enables the intermediaries to make field visits and monitor the schemes.
7. Consideration was also given to communities who were not used to handouts or free grants.

In visiting and interviewing the intermediaries, the objective was to discover the styles of micro financing policies/procedures and their achievement. Qualitative research was conducted in several districts: Bagamoyo and Kisarawe in Coast Region, Mbozi Ileje, Kyela and Rungwe in Mbeya Regions, Sengerema, Mwanza Rural and Magu in Mwanza Region. Focus group discussions (FGD) were conducted on community members and leaders in order to gain understanding on how they perceived the barriers to and opportunities for income generation or micro-enterprise development. It further helped in gathering more information on credit schemes in the different areas to enable the consultant to decide the best areas to implement the program. The study therefore:

- Recommended to the government the best, effective and efficient way of managing the extended loans to small-scale enterprises through suitable intermediaries, in different districts within the region.
- Facilitated GOT to enter into pre-negotiations with intermediaries and propose contractual outlines between the government and the chosen intermediaries' specifying proposed portfolio.
- Suggested conditions for offering loan (where deficient or different from intermediary's condition).
- Recommended procedures on how to manage the loanees and defaulters.

2.1 Methodological Approach

The study used an interactive approach with senior GOT officials, leaders of different churches (implementing partners), a panel of experts and conducted fieldwork in all the districts under the study. This included structured discussions with relevant parties in the chosen districts (chosen to establish micro loan schemes), and a sample of selected beneficiaries.

To determine the best practice of the micro credit program, the study covered the following activities:

1. One week visit each to Uganda and Kenya- Although the study was limited to Tanzania, it was necessary to visit the two neighboring countries, Kenya and Uganda to get a first hand experience on the practice of micro credit. Kenya and Uganda have practiced micro credit financing long than Tanzania. Moreover, the three countries, Kenya, Tanzania and Uganda are members of one economic community, East African Community.
2. Reviewed a wide body of literature on the subject to understand the practice in other parts of the world.
3. Reviewed relevant documents in Dar es Salaam and all the three regional headquarters (Kibaha, Mbeya and Mwanza).
4. Reviewed articles and reports on micro-enterprise *in* order to understand the socio-economic, political, cultural and environmental implications in establishing micro-credit programs. The reviews specifically provided background information on existing credit schemes and experiences in Africa and elsewhere in the world, identifying the projects that have been successful, and determining the management systems used to administer micro credit programs.

The objective of the review was to assist in determining the sustainability of rural credit schemes and identifying problems associated with administering them. In addition, a literature comparison of practices in seven countries of Africa (South Africa, Zimbabwe, Zambia, Kenya, Uganda, Ethiopia and Ghana) was made, to best understand and learn from practices of micro credit financing in those countries.

Ongoing analysis of information gained through interviews led to further modification of methods as an analysis framework emerged. Additional interviews with all official bilateral agencies, international foundations and international NGOs, e.g. USAID, CARITAS (an affiliate of Catholic Relief Services, PRIDE, UNICEF, UNDP and World Vision were conducted. Also all institutions involved in training in development and finance were visited and interviewed. This helped in gathering up to date information on the current practices, in both the country and elsewhere in the world. Using semi structured format, the interview took approximately 4 hours per institution. The interviewers were equipped with a more detailed protocol that could be used to prompt where necessary, but only as a last resort. The objective was to discover how beneficiaries are chosen, the styles of management used by intermediary organizations, what policies are used and how they measure achievements of their objectives. Given the explanatory nature of the study, informants were asked to give their critical feedback on the interview process and content, which allowed for interactive improvement. Analysis of information gained through interviews led to further modification of not only the methods but also the people covered in the study. The most significant change was to undertake additional interviews with an array of beneficiaries in the community. Reasons centered on wanting to know the reasons behind low rate of default among women, the high number of church-based intermediaries involved in micro-credit finance and the tendency of foreign donors to favor dealing with church-based NGOs.

3. Research Findings of the Second Study

All the three regions covered by the study had profiles of activities that covered a whole spectrum of development agendas and issues. The spread of activities represent the types of things many NGOs support in rough proportion to what is going on across the country (Government of Tanzania 1991).

3.1 Activities

Many of these activities were found to have the economic base to support micro-enterprises. However, the following activities were found to raise family income more than others in the regions do:

- Mwanza Region: Farming (27 per cent), fishing (20 per cent), mining (18.5 per cent), animal husbandry (16 per cent), trading (9 per cent) and processing industries (6 per cent).
- Mbeya Region: Animal husbandry (51 per cent) and trading (5 per cent).
- Coast Region: Fishing (41 per cent, farming (22 per cent) and trading (18.4 per cent).

The activities identified in the selected regions on compared with activities identified in the seven African countries (South Africa, Zimbabwe, Zambia, Kenya, Uganda, Ethiopia and Ghana), with special emphasis in Uganda and Kenya, which were visited. This was to allow an in-depth comparison before arriving at the recommended activities.

3.2 Intermediaries

Twenty-six groups were involved in small-scale enterprise support in nine Districts studied, and of these 77% were church based. These acted as intermediaries and or contractors, i.e. organizations that give financial and technical support to and or are responsible for reporting, analyzing/evaluating program operations of micro loanees on behalf of funding agencies, such as government or donors. A number of these groups receive limited financial support from donors. Where they do not get donor funds, they are forced to make a special budget allocation in the course of their normal budget system. With this money, they were able to establish revolving funds from which to disburse micro credits to borrowers. Many intermediaries lack funds from which to provide loans and other professional services to poor entrepreneurs. More businesses could be stimulated either through the existing donors or through new intermediaries. The study identified the following number of very active intermediaries in the three regions: 2 in Coast Region (one church based and one government based), 2 in Mbeya Region (all church based), and 3 in Mwanza (all church based). In addition, most of these intermediaries have established Savings and Credit Societies, from which members can borrow.

3.3 Impact of micro credit on Beneficiaries

Between 1996 and 2000 more than 5,000 borrowers had benefited from micro finance lending. More than $500,000 in amounts of approximately $100 each was loaned out. Most (65 per cent in Coast Region, 92 per cent in Mbeya and 87 per cent in Mwanza) of the loanees knew about the scheme through churches, most of which started these schemes and usually acted as community centers for rural societies to which the loanees belong. On the average, (78 per cent) most of the borrowers are women (78 per cent at Coast, 69 per cent in Mbeya and 87 per cent in Mwanza.

The success was measured by determining whether the poor people in the community have had increase of income and ascertaining whether there had been an improvement in the quality of their lives. The study found the following:

1. Micro credits finance generally has served the poor people but not necessarily the very poor. These studies and other research literature on micro credit indicate that micro finance activities serve clusters of those just above and below the poverty line. Generally, they do not reach the very poor. The very poor make very limited use of the micro credit. However, the studies also indicated that church administered programs (approximately 55 percent reached very poor) reach more of the very poor than any other type of intermediaries (approximately 18 reached very poor). The difference is noticeably big and worthy of follow up. There are two main reasons why the churches have been more successful with the very poor than the rest of the intermediaries. First, churches are part of and are in the community. They are therefore able to know all beneficiaries very well. They earn the trust of each other. Second, the church takes time to "walk with the poor", to educate the poor, to provide them with economic opportunities, which are usually lacking among the very poor. One unique approach the churches use is to loan to

the very poor very small amounts of money (even $10) thus introducing the beneficiaries to the culture of credit. They feel good and confident when they are able to repay the small amounts on a monthly basis over time.

2. The average family income of the beneficiaries at the beginning of micro credit scheme was estimated at USD 67 per year. The average family income was estimated at USD 387 after two years. This increase of 215 per cent is mostly attributable to the micro finance. This underscores the impact of micro finance on the family income.
3. It is very hard to say for sure whether or not the increase in income is attributable to the micro credit alone. Experiences indicate that in most cases a loan for small business especially in the rural areas opens the door for the loanees for other opportunities. Similarly, the loan seems to have a multiplier effect, in that when one is given a loan he is trained in rudiments of marketing, finance and other general business matters. These open his or her eyes to many possibilities, which are hard to quantify.
4. Most of the businesses provided employment to members of the family and even extended to other people, especially youths.
5. There were well-established management systems to support the administration of the scheme, which helped in the selection, training, monitoring and recovery of loans.
6. The loan repayment default rate was much lower among women loanees (8 percent) than among men loanees (25 percent).

3.4 Predominance of Churches as Intermediaries.

Seventy seven per cent of intermediaries involved in the scheme were churches or church organizations. This confirms the important role churches are playing to increase poor people's income. This is attributable to the following:

1. Churches are there because they care about people.
2. The Churches see poverty as characterized by spiritual poverty, very low family income, powerlessness, physical weariness, isolation and vulnerability. They believe that poverty is a social and economic justice issue, which must be addressed by Christians as one of their primary responsibilities. They see the micro financing scheme as one way of addressing the injustices of poverty.
3. Churches get involved fully in the affairs of the borrowers and in the process get to know the actual needs of the beneficiaries. Churches are part of the community.
4. Churches provide training to all borrowers in technical areas such as bookkeeping, marketing, and rules of good business practices.
5. All borrowers are members of one group or another and members of the group(s) act as accountability "bouncing" board.
6. Christian ethics are stressed in all business deals. They apply a zero tolerance policy on any businesses considered a menace to society- these businesses are not supported.

7. There is stress on qualities and attributes of leadership, such as moral integrity, caring for one's neighbor, humility and caring for one's family, especially children. Churches have established strict recruitment and follow up criteria and or procedures, for which they strictly adhered.
8. There are well-established management policies and other mechanisms/ frameworks aimed at administering the schemes. Such policies include proper procedures for dealing with defaulters. Therefore, the default rates are low among women (8 per cent among women) and high among men (25 per cent among men).
9. Beneficiaries trust churches above all other forms of state and non- state credit providers. They do not see a church as only providing an opportunity to access resources, as they do other organizations including non-church NGOs. Beneficiaries see churches as their institutions whose mission is to serve people in the community.

3.5 Predominance of women beneficiaries

The data indicate that micro credit reaches a large number of women (78 per cent). Generally, as literature suggests (United States General Accounting Office, 2003*)* female beneficiaries have had better loan repayment rates and lower default rates (8 percent for female) than male beneficiaries (25 percent for males). Micro credit services are of considerable importance to poor women, who tend to have more limited access to other financial services than men. Research also shows that micro loans have generally improved female beneficiaries' participation in decision-making at the household levels. The study identified five factors that determine the high success rate of women borrowers.

1. Traditionally women have always operated in social groups to which they feel accountable. Most of the micro finance schemes operate through groups, where group members act as guarantors to a group member who borrows from the scheme.
2. Women are known to be providers for families and would do everything possible to make sure family members especially children, receive care. Women would rarely use income from business for their own personal use. However, men would use income to “drink” with friends at the expense of children.
3. Churches have always encouraged women groups. It is traditional for all churches to have women’s ministries through which income-generating activities have been developed. These activities have served as training ground for the women.
4. GOT has encouraged and supported women groups and so have many foreign NGOs.
5. Women are not ashamed to admit that they do not know. It is therefore easy to identify their training needs and actually train them.
6. Women will remain residing in the rural areas as men migrate to urban centers seeking work.

3.6 Employment creation.

In cases where the scheme works well for clients, their businesses grow in terms of assets, profit, employees and borrowing needs. The business demands more employees, and it means there is increase of employment. This is one of the main objectives of the scheme. On the average, a loan of USD 200 over a period of two years creates two employment opportunities.

3.7 Savings and Credit Societies (SACCO) phenomenon

The study found examples of Savings and Credit Societies (SACCOs), which exhibit success stories. These are normally self-initiated voluntary membership societies resonating very well with the culturally appropriate women’s groups. They cater for various financial needs of the members within the community. Therefore, intermediaries supporting such groups operate more successfully. There are over 3,000 in the country. Many are performing well and training to the beneficiaries to enhance their performance and sustainability.

There are several examples of active credit schemes, which indicate that communities already actively involved in micro-enterprises, tend to do well with micro credit finance programs. Several local church-based and international NGOs have shown interest in participating in micro-enterprises operating on the SACCO model.

3.8 Sustainability of micro credit finance Institutions

To be considered fully sustainable, first, the micro credit finance institution/intermediary must generate sufficient revenues to cover both its operating costs (e.g. salaries) and its financial cost (e.g. cost of borrowing funds from commercial sources). Many intermediaries are struggling to keep their services because they started on a dependency formula. When a donor leaves and the loan recovery is not satisfactory, some intermediaries have had to shut down. On the other hand, the injections of funds by a donor to the micro credit program gave a shot in the arm, enabling some intermediaries to grow and extend their area to serve more clients.

Secondly, the institution must establish appropriate administration policies, procedures, and skilled and motivated staff. In an environment of a changing economy like in Tanzania, the loan scheme will require frequent tuning of methodology to achieve greater efficiency and respond to evolving client needs. This is because micro financing development methodologies are neither static nor pure in their implementation. If a scheme works well for clients, their businesses grow in terms of assets, profit, employees and borrowing needs. Therefore, a lending strategy that worked in the past may no longer suit their new needs. Keeping up with client's needs is a constant challenge and successful intermediaries work to keep up with their clients/beneficiaries informally or formally in their activities.

Related to this issue of methodology, systems and policies of the scheme must be used to determine its sustainability. Regularization of systems and policies for personnel, administration and finance are known to be crucial for the sustainability of micro-enterprise credit/loan schemes. The study findings confirmed this. The intermediary to be entrusted with the responsibility of administering the scheme should make deliberate efforts to ensure the scheme's operations and decision making are systematic and transparent. They must develop policies and procedure manuals in simple clear language, used at all levels. These policies should include peer group formation, borrowing criteria, interest rates and fees, repayment policies, loan terms and amounts. The procedure manual will include planning, loan application, loan evaluation, loan approval, loan release and loan maintenance procedures.

Financial viability is also essential to ensure sustainability. The intermediary will look into aspects of financial viability of the entire undertaking as larger amounts of money would be needed to support larger portfolios as the scheme grows and matures. Operating costs will also increase as the organization trains or recruits staff and reaches a more geographically diverse client base. The intermediaries must ensure the projects are self-sustaining and will meet the required financing even after external funding stops.

Third, the institution must have the capacity to train the borrowers/beneficiaries in both technical (how to conduct the businesses the beneficiary is involved in) and management areas. It is important to train the beneficiaries (most of who are grade-seven graduates) because their technical and administrative skills are very low.

Fourth, GOT must support the development of micro financing infrastructure by maintaining an enabling economic environment and by developing an appropriate legal and regulatory framework where there outreach methodologies which enable optimal access for communities.

However, sustainability does not mean 100 percent self-sufficiency in all aspects of micro-enterprises. Areas such as training, business service and other activities may continue to require the government and other donors' support. Building institutional capacity through recruiting and nurturing a competent, committed and motivated staff is critical in ensuring sustainability of the scheme. Savings mobilization must become an integral part of the schemes. Experiences elsewhere in the world show that schemes or programs that have become sustainable are those, which have emphasized on appropriate instruments for savings mobilization in their designs (Kopp, 1995).

3.9 Advantages of Community Based Micro Financing Scheme

The following were identified as advantages of a micro financing scheme over other financial sources:

1. It enhances employment generation. The magnitude of open and disguised unemployment in both rural and urban communities is very high. Employment brings income; income induces consumption, which in turn induces production. In effect, the national economy multiplies, leading to overall economic development and a rise of productivity.
2. It provides access and opportunity for the micro entrepreneurs to credit, as the formal financial market in Tanzania is often unavailable to small entrepreneurs due to strict collateral requirements.
3. Psychologically, there is a better relationship between the lender and the loanee. The lender recognizes the worth of the loanee by extending credit based on the latter's ability to meet their obligations. The loan scheme creates a situation where the loanee knows that they are entrusted with a resource that they will have to pay back. They therefore have a sense of ownership and responsibility over the resources.

4. The informal sector is more flexible as there is less bureaucracy.
5. It is possible to develop an appropriate methodology for the scheme, taking advantage of the tested methodologies of similar schemes somewhere in the world. Some of the successful schemes include those implemented by organizations like Grameen Bank in Bangladesh, ACCION in Latin America, Kenya Rural Enterprise Program (KREP), Small Enterprise Development Assistance (SEDA) in Tanzania and similar organizations in other countries.
6. Using an NGO as an intermediary that is close to and trusted by the client enhances the success of the financial transactions and management of the program. The loanees trust a community-based lender/intermediary (in most cases churches) above all other forms of state and non-state actors. They do not see such an intermediary as providing an opportunity to access resources, as they do other organizations. They see it as their institution whose mission is to serve people in the community.
7. GOT policies favor the development of loan schemes as the Government encourages the small business sector to be more involved in providing for its own needs.

3.10 Constraints of Micro Credit financing Schemes in Tanzania:

The following are the constraints, which need to be addressed for successful implementations:

1. Ineffective or sometimes absent institutional guidance and coordination in the provision of services to the small-scale micro-enterprise sector.
2. Lack of trained manpower to administer the program - most of the intermediaries administering micro finance programs do not have sufficiently trained staff to administer and train the beneficiaries,
3. Ignorance on the part of beneficiaries - most of the beneficiaries obtained primary level education. They lack training in basic technical and business skills needed to undertake some of the programs in which they are involved.
4. Lack of relevant course at colleges - This problem is more acute within the churches because the Christian colleges where churches traditionally train their employees do not offer courses aimed at meeting this need.
5. Dishonesty on the part of program administrators - cases ware found where administrators acted dishonestly by misappropriating the funds set aside for loans. This was found to be less problematic in churches or church-based organizations
6. Lack of initial funds to the intermediaries from which loans (micro credit) and other financial services to the poor could be made.
7. Inadequate links between large and small enterprises in the economy.
8. Inadequate capacity to provide appropriate infrastructure for enterprise development especially by local authorities.
9. Poorly developed market channels, both for the internal market and for the export market.

10. An unfavorable legal and regulatory framework, particularly in the area of trade licensing and local authority by-laws' that lack a coherent set of policy guidelines.
11. Inadequate information and unreliable data on performance and concerns affecting the small enterprise sector, which results in poor project and program planning and implementation.
12. An under developed entrepreneurial culture, especially among Christians.
13. Higher default rate in loan recovery of 25 % among men (Mpesha, 1990). Although the default rate is low among women, the rate among men is relatively higher. This is a common phenomenon especially among men. The system of using group members to be guarantors of each other has made it easier for people to get loans without collateral. This has been the beauty of the model. However, the study findings (Mpesha, 2003) indicate that 20 percent of beneficiaries feel the group guarantor system is not working so well because the default one member of the group adversely affects the chances of getting a loan by other members of the group. There seems to be a need to re examine the entire system to determine the way forward.

3.11 The Future of Credit Schemes

There is potential for financial intermediation operations in Tanzania. The ongoing economic and financial reforms augur well for development of micro enterprise financing and provide a big scope for profitable financial services to rural and semi-urban micro enterprises. The government has recognized the important role of informal sector enterprises in the economy. GOT's National Employment Policy (NEP) states clearly that the Government will provide an enabling environment for local and international organizations to participate in employment promotion. GOT has done a lot to identify potential donors to support schemes that promote enterprise development programs, which have assisted many poor people. GOT is serious in encouraging and assisting the private sector as seen in the current economic reform programs, which support liberalization and privatization.

The seriousness of GOT does not stop with the private business sector. The findings of Micro Project Rural Scheme Study in Tanzania showed how actively the churches were involved in development as a whole and in micro credit program in particular. It further revealed that many international donors were channeling many of their development aid funds through churches or church related organizations. Like many other world governments and government aid agencies (Kopp, 1995). GOT embarked on a policy of actively seeking the collaboration of both northern and southern NGOs. Collaboration occurs, in order to fight for the alleviation of poverty, eradication of hunger, protection of environment, grass root development and safeguard of the poor from the debt crisis (Clark, 1991). GOT has promoted a very enabling environment to encourage NGOs, especially churches. GOT has effectively lobbied for the involvement of churches in development. This has created an unprecedented demand on the limited resources of the churches. One of the main components of the churches' involvement is the microcredit scheme. The need for a study on the churches' role in development conducted in 2003 is a product of the wish by the Tanzanian churches to know the extent to which the churches are involved in development. Equipped with this knowledge the churches are better positioned to negotiate with GOT for relevant government support.

Methodologies similar to the ones used in the second study were used although the people and institutions visited and interviewed were different. To determine the churches;' involvement in development, the study reviewed a wide range of literature on development, reviewed relevant documents in Dar es Salaam for the Catholic Church's National Conference; Arusha for the Evangelical Lutheran Church headquarters; Mwanza, for the African Inland church headquarters and Dar es Salaam, for the Anglican church.

The analysis of information gained through interviews concerning the involvement of the church in development led to further modification of methods as an analytical framework emerged. Additional interviews with official bilateral aid agencies; international foundations and international NGOs were necessary because most churches are dependent on foreign aid to undertake development programs including micro credit finance.

The study reveals a very heavy involvement of churches to development in Tanzania. They are involved in helping the communities improve their lives, by:

- Acting in partnership with other groups, such as government-, this partnership takes on a teaching and encouraging role by helping people to utilize more fully and effectively the resources supplied by the government or cooperative societies. Through the partnership, the church has been able to influence the policy of the nation.
- Bearing the mark of creativity and innovation - Historically, Churches have been the first to bring education and hospitals to communities in Tanzania. More recently, village trade training centers and preventative health care programs were often started by Christians Now the churches are out in front leading the way with new approaches and styles of development work, such as supporting income generating activities for families and community micro credit finance to the poor.
- Acting as agents of change - In practice churches are running education programs. Cases were found where the church has helped small farmers obtain their rights with local cooperative societies. At times, churches have advocated and succeeded in persuading the government in bringing funds to support micro credit finance institutions, which are administering micro credit funds.

The churches' involvement in micro credit financing, mainly as intermediaries and sometimes as funds givers is the subject of this paper. The following were identified as reasons for the churches' involvement in micro credit financing programs:

- Excess and differentiated demand for the services provided by churches. Typically, these are provided by the public/government or private sectors. GOT services, when previously available have competitive price advantage in the market place because they are tax-financed. However, currently these services are in short supply or are completely absent. A good example is the increased demand for college education, which the government cannot fulfill. Therefore, people have been looking at churches for help. People like to deal with churches rather than government or other secular institutions because the church is trusted. As one beneficiary put it, *'the church is not* *simply concerned with my making money. They are concerned for my well-being. They teach you how to live a good life*."

- Churches are in micro credit finance programs because GOT complements financing this area. It is common in the NGO sector to find private philanthropy significantly present where the government is a crucial source of funds to NGOs.
- The streamlining of GOT in terms of reducing government spending and redefining its services by privatizing Parastatals. Privatizing banks, which used to be providers of micro credits to the rural poor, are no longer doing it. Churches have stepped in the fill the vacuum. On the other hand, citizens have been disillusioned by the unresponsiveness and impotence of GOT. People have therefore looked to churches to promote their interests.

In 1996, there were less than twenty-five churches in Tanzania operating micro credit schemes. In 2003, there were more than 100 churches. GOT recognizes this fact and it is paying attention to what the churches say. The government wonders why the loan repayment default is lower in the programs run by churches. For example, the national average default rate for men was 25 percent in 2003, but it was 12 for men within the church programs. The average default rate for women in 2003 was 8 percent for women but it was 5 percent for women in church run programs. With the church flourishing in matters of development, the churches' influence on the government and citizenry is also increasing.

4. Recommendations

The studies concluded that one way of eradicating poverty in Tanzania is for the government to assist its citizens by supporting micro-enterprise activities through micro financing schemes. This section deals with a conclusion and recommendations emanating from these studies.

4.1 The form of Micro-Enterprise Development and its Impact.

Research has shown that micro credits have generally improved people's lives. Micro-enterprise development in Tanzania gave assistance directed to increasing the ability of the self-employed poor and owners of very small businesses to provide income for themselves, their families, and for those of their employees. The scheme has benefited Tanzanian people who earn their living through self-employment and business ownership. Some had very few assets, others small workshops, and others small farms - but all are struggling to build their businesses in the market economy with determination. The credit scheme has provided any combination of financial, technical assistance; informal training and other services to clients at the same time bringing satisfaction to them in the following areas:

- Access to resources, especially working capital,
- Business and technical know how,
- A market for products and services, and
- A secure place to save

4.2 Micro Credit for the Very Poor

Micro credits finance generally has served the poor people but not necessarily the very poor. In economics terms, the poor are those whose annual income is at or below the poverty line as defined by the host country. The very poor (or generally referred to as the poorest of the poor) are those with an annual income 50 percent or more below the poverty line as established by the government of the country (Snodgrass & Sestad, 2002). The very poor make very limited use of the micro credit, although they are normally the primary target group. As discussed earlier, this study also found out that church administered programs reach more of the very poor than any other intermediaries.

One unique approach the churches used is to loan to the very poor very small amounts of money (even $10) thus introducing them to the culture of credit. They feel good and confident when they are able to repay the small amounts over time. The repayment default rate is zero! Maybe there lies the answer to the question, "why *do the very poor people not normally access micro loans?"* I believe this is why the church program is successful in this front. The Churches in Tanzania are not divorcing the spiritual from the physical realm. The church in Africa is trying to tell the architects of the modern economic system that there is a better way of dealing with poverty. It is the way of THE COMPASSIONATE CHRIST.
The Church in Africa has this to offer. We need to taste and test it. It is working.

4.3 Government Involvement

GOT responsiveness to the findings and appeals by the NGOs has been positive and supportive of the micro credit venture. The introduction and implementation of the EDF-MMU pilot program provided a learning ground and encouraged interested parties like NGOs. They have since more than quadrupled their efforts in undertaking micro credit programs. The major value of this pilot program was that it acted as training and learning ground. It further acted as testing site for the micro credit finance scheme in a Tanzanian environment. It:

- Transferred resources to the poor and, through credit, gave them control over use of those resources as they made decisions on projects.
- Promoted empowerment and increased self-reliance, through skills development, self-confidence and financial security that comes with managing successful economic activities.
- Increased the participation of women in economic and social development.
- Provided sustainable mechanisms for continued assistance to poor people through the loan funds that would ensure regular revolving capital to their clients.
- Created opportunities for the poor to save money, to build family and business security.

4.4 The Role of Intermediaries

Micro credit succeeds mostly when administered through community-based organizations and with the full involvement and training of beneficiaries. The involvement and reported success in promoting micro credit programs by Church intermediaries is a very important finding and the reasons for success need to be taken seriously and replicated in other countries. The key to the success is their conviction, integrity and commitment. As part of the community, the church sees itself as having a primary responsibility to use a micro credit program as tool for tackling poverty, which is a social and economic justice issue. This conviction makes the churches to be fully involved in the affairs of the borrowers and provide the needed training to the borrowers.

The success story of the intermediaries could have been greater had they not suffered from a lack of proper infrastructure. Lack of such infrastructure (resources and skills) puts to question the sustainability of the micro credit finance program. A sustainable micro credit program includes having enough funds to disburse to beneficiaries (borrowers) and the intermediary organization fully covering operational and financial costs. Operational costs include salaries and other administrative costs. Financial costs include cost of borrowing funds at a commercial interest rate. This includes a lack of skills to administer such technical and tedious programs, and a lack of finances to meet program administrative costs. In most cases, their administrative costs are generally lower than those of government or commercial organizations. It should be part of the government strategy to properly build their capacity through training their staff, providing needed equipment and finances to enable them to better administer microfinance programs.

4.5 Special Focus on Women

This study has concluded, and it is generally supported by other literature[28] that female beneficiaries have had better loan repayment rates and lower default rates than male counterparts. Micro credit services are of considerable importance to poorer women. This study, supported by other research, concludes that this is because many women tend to have more limited access to other financial services than men have and this type of micro credit may be the only financing available to them. Even though women have had successful programs, most of them succeed with very little training. The study recognizes that they would do even better if they were trained. This study also showed that micro credits have generally improved female beneficiaries' participation in the decision making at household and business levels.

The credit schemes that are based on strategies especially favorable to women's needs are likely to have a greater impact in the community and contribute more towards its development agenda. Women should therefore be given a high consideration under micro credit schemes for development. By doing so, the program would be making economic development services available to benefit vulnerable family members.

Taking into consideration that in Tanzania 72'% of contributions to GNP are from women while 95% of food production in the country is brought about by women, it is therefore, important and necessary to build assets for women. This will encourage girls to educate themselves and develop their livelihood and economic skills.

4.6. Encourage Establishment of Micro Financing Courses at Colleges.

Colleges, especially Christian ones, should be encouraged to establish courses in small business development including micro credit financing.

4.7 Procedure for Managing Defaulters

This study concludes that female beneficiaries have had better loan repayment rates and lower default rate than male counterparts. Failure to collect debts usually jeopardizes the micro credit scheme. In order to avoid shutting down the program for reasons of non-collectible debts, it is imperative that a stringent default monitoring system be established and administered carefully. It should also be noted that a persistent lower loan recovery rate among men should serve as reminder that practitioners and researchers alike should consider this a development puzzle needing attention if they intend to use micro credit financing as a tool for fighting against poverty.

The default rate in the church run programs is lower than other programs. It will be advisable to seek to know from these institutions how they have managed to keep their default rate low.

5. Conclusion and Proposed Further Work

Micro credit financing programs have successfully been used in many countries as a tool for development because they increase the poor people's income. However, this has not been without notable problems. First, micro credit finance alone may not lift people from poverty. Poverty is characterized by more than low income. It is characterized by spiritual bareness, very low income, powerlessness, physical weariness, isolation and vulnerability. Therefore, any endeavor to address poverty issues should take a multi pronged approach. Second, this research [31] indicates that micro credit finance programs to the very poor may not be effective. They normally create unmanageable debt, unless combined with other services. Third, women beneficiaries should be targeted most in the micro credit finance program because funds lent to women create greater impact in the community and contribute more towards the development agenda. In addition, their loan repayment default rate is much lower than that of men.

Most of the intermediaries dealing with micro credit financing programs are churches or church based NGOs. Some started involving themselves in this programs even before GOT decided to use this model. Their commitment to the people and the cause has been identified as one of their reasons for success. The biggest challenge they face is the issue of sustainability. It should be part of the government and the churches' strategy to properly build the capacity of those administering micro credit programs.

The findings given above covered a long period. This was necessary because of the nature of the studies. The first study intended to draw attention to the ability of micro credit finance to fight against poverty. It paid dividends because the findings were used by NGOs in Tanzania to press the government to look into the possibility of establishing a national micro credit finance program. This was done and a major Micro Project Rural Loan Scheme was started. This became a catalyst for most of NGOs' incorporation of micro finance activities in their development programs.

One unique approach the church is using is to give loans to the very poor is the very small amount of money. Beneficiaries see the church as their institution whose mission is to serve people in the community. The church stresses qualities and attributes of leadership, such as moral integrity, humility, caring for one's neighbor, and caring for one's family, especially children. They progressively introduce beneficiaries to the culture of credit.

The churches in Africa are not divorcing the spiritual from the physical realm. By insisting on going about development their own way, they are suggesting that the way they do it is what works best for them irrespective of what the modern economic systems recommend.

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