

# Master Thesis in Community Work

Considering the enabling goal of microfinance services in alleviating poverty in Tanzania, what are the poor people doing to make it work for them?  
The case of Ilala municipality, Dar es Salaam Region

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## ABSTRACT

Tanzania is one of the poorest countries which have implemented microfinance services as one of the most effective methods of alleviating poverty. As a result several microfinance institutions have been established and people are involving themselves in these schemes to make use of this enabling goal. So, this study had a general objective of exploring people's actions as they make use of the available microfinance services so as to alleviate poverty. The specific objectives were to explore how people form and remain in their groups; to examine how people organize themselves to access and repay the loans, and to identify challenges encountered by loan takers in the process of accessing and repaying loans. Data collection was through focus group discussions, which involved four groups with the total number of 25 respondents. The findings were analyzed in the framework of agency theory as a determinant of people's actions in relation to the situation at hand. The findings showed information sharing, geographical and functional consideration and tracing an individual's background were primary in creating groups. In making groups work and stay together, they coordinate repayment activities, create group norms and peer pressure, create and strengthen social capital and educate each other. In dealing with their challenges, they discipline non-conforming members, confiscate belongings of defaulters, and repay for the defaulters. On women borrowers, their participation in group loans was observed to be influenced by the nature of lending schemes, collateral demands, modernization, and cultural gender roles. As a result they have poor or no control of the loans they receive, while others have made a remarkable change in their lives. The study was concluded by summarizing the findings and suggesting for further research. These were conducting studies in different contexts to enrich the body of knowledge on the subject matter, also in relation to time changes. Lastly, it is suggested to study upon the challenges brought by group lending mechanisms, so as to make it friendlier to the loan takers.

**Key words:** Group loan, microfinance services, solidarity, group collateral.

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## **DEDICATION**

Dedicated to my dear mother, the late Alice Kokushubira, who would have been very proud of my academic accomplishment. You gave me so much a child can have...love!

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background to the study**

It is estimated that about three billion people in the world, live on the income of less than two dollars a day. This is equivalent to a half of the world's population. The United Nations organization (UNO), announced the millennium development goals, to enhance international development. This was focused to alleviate poverty by the year 2015 (Barr 2005). Microfinance is a form of financial intervention that has as its primary goal to assist in poverty alleviation. "UNO celebrated the year 2005 as the year of microcredit", and since then this form of financing is perceived worldwide as an effective means against poverty, particularly in developing countries (Khan and Rahaman 2007:1). Governments, donors and NGOs around the world have responded by supporting this method of fighting poverty.

Talking about Tanzania in particular, my research question was 'Considering the enabling goal of microfinance in poverty alleviation, what are the poor people doing to make it work for them?' This research question reflects the persistence of poverty, a social problem in Tanzania, which creates ambition for people to improve their situation. However, this has to be done in the framework of the structure of microfinance institutions, social and political structures of the community they belong.

#### **Statement of the problem**

Despite the growing number of microfinance institutions in Tanzania, poverty remains a serious social problem to the majority of the community. Since its independence in 1962, the country has been involving local, national and international actors in the efforts on poverty alleviation. Among these are microfinance institutions. There has been a steady increase of such institutions and several studies have been conducted to analyse their impact. Unfortunately, these studies have only done an evaluation based on the role of the microfinance institutions in the efforts against poverty, leaving behind the participants of those schemes, the poor people who are the 'stars of the game'.

This study then intends to focus on the part of the loan takers, to establish what their concerns are when they join the chorus of this song of microfinance for poverty alleviation by investing a lot and thus expecting to see positive change in their lives. These concerns have a big role to play when evaluation on microfinance performance will be made, by joining together what has already been revealed regarding to the microfinance operation structure and how far have poor people gone in utilizing those opportunities. The possibilities and constraints need to be revealed, whereby at the end consensus will be reached on how to merge the two findings for the better approach of poverty alleviation through microfinance.

As a point of departure, the following discussion is about microfinance as a concept and how it paved a way into Tanzania in particular.

### **What is microfinance?**

The concept of microfinance can be wide and differently interpreted. However, the general meaning includes mostly both financial and social intermediation (Pant 2009). Further, according to Berger (2000:2), microfinance and microcredit are usually treated as synonyms. However, microfinance refers to “an array of financial services on a micro scale, including, but not limited to credit”. The difference between microcredit and traditional commercial lending is that loans have smaller sizes and mature in a short time, and rely on character rather than collateral as a guarantee.

Microfinance became popular in the development discourse in the 1980s. However, the idea of private individuals to lend money to low income people, in form of small loans, is as old as the recorded history of humanity (Elahi and Danopoulos 2004). The idea of microfinance (microcredit) was from a Bangladesh pioneer, Muhammad Yunus, who established the Graamen bank in 1976. It started by a series of experiments, lending the poor with very little amount of money to run simple business activities. Later on it was transformed into group lending where group members acted as guarantors to each other in receiving and repaying loans. The loans were then recycled to other people and in a gradual increase when one loan was successfully repaid. The movement turned out into a big banking institution and helped to improve lives of many people in Bangladesh, and it has now penetrated to various parts of the world as a method of helping the poor out of poverty. (Barr 2005; Sengupta and Aubuchon 2008; Pant 2009).

## **Evolution of Microfinance in Tanzania**

In Tanzania, microfinance evolved as one of the means of reducing poverty and enhancing development. Poverty reduction strategies began back since the country gained its political independence in December 1961. Three enemies were proclaimed, which were the main target of the government strategies. These were poverty, ignorance and diseases (Kayunze, Mashindano et al. 2011). The approach used was Ujamaa policy which was implemented soon after independence. The term 'Ujamaa' is a famous Swahili word which literally means 'familyhood'. The policy basically aimed at restructuring the countryside, and then the whole society, in a communal, socialist direction (Hedlund and Lundahl 1989). The Ujamaa policy was accompanied with abolishment of private ownership of the means of production. Individual peasants were invited to communal ways of production with the promise of easy in accessing state support in terms of agricultural inputs such as tractors, pesticides, professional consultation etc. These efforts were strategically focused to cover the majority of the Tanzanian population, about 85% which lives in rural areas and depend on agriculture, both for subsistence and income. Moreover, agriculture contributes 75% of the national income. It is for this reason that soon after independence the government had intentions for strengthening the agriculture sector as a way of enhancing a good quality of life for the majority.

However, in a long run, the limited state funds, poorly developed transportation and communication systems, and the geographical size of Tanzania, limited the effective of the policy. On top of that, there were subsequent fluctuations of the prices of the products in the world market, whereby production of cash crops continually its importance. Ujamaa faced increasing popular dissatisfaction, and was slowly abandoned in the 1970s and 1980s (Biermann and Moshi 1997).

From the 1970s; there was great stagnation of the Gross Domestic Product (GDP) and the decline of per capita income. Tanzania faced subsequent economic crisis due to several reasons. Among these were such as the budget mini crises, first and second world oil shock, major drought, break-up of the east African community (EAC), war with the neighbour country Uganda as well as world recession (Manyama 2011). Due to this situation, the national budget had become highly dependent on foreign support.

In responding to the above economic crisis, in the negotiations with the IMF, the government was forced to adhere to many strict conditions for continual support. The most important one was restraints on government expenditure. The removal of subsidies forced the price for agricultural products down, which were the main income of the majority population in Tanzania (Meena 1991). Further, expenditure cuts resulted into cuts in provision of public services. The IMF recommended that, for example, people should take part in provision of its paying for their own health services (Meena 1991).

In implementing such measures, the Tanzanian government introduced the cost share system in provision of public services such as health and education. However, this was a wrong timing as many of the working population in the public sector had undergone redundancy as a way of reducing government expenditure. As a result, people were forced to find alternatives to generate incomes so that they can survive. This was not an easy task, and more social problems arise, such as unemployment, urban migration, extreme poverty and urban poverty in particular.

With the conditions of structural adjustment, the non-governmental sector had a vital role to play in service delivery to cover the gap left after the withdrawal of the government. The government realised the important role which the civil society can play in improving the social and economic situation. However, due to inefficiency and bureaucracy of the state, the donor community decided to channel their aid through international and locally based NGOs. Unfortunately, most of the NGOs were staffed with civil servants. In this way, the government could easily secure donor funds, which were not used for the intended purpose, as poverty situation worsened. The donors then decided to channel their funds directly to the NGOs and community based organizations (CBOs). As people realised this option of securing donor funds, these organisations erupted, among which microfinance institutions (Lange, Wallevik et al. 2000). It should however be noted that, the evolution of microfinance services in Tanzania is subject to the consequence of the country's declining economic situation, and not due to the architecture of SAPs (Sigalla and Carney 2012).

Generally, all NGOs are concerned about 'development' though with different approaches. Some of them are social services oriented while others are economic oriented. However, both kinds claim to target the most vulnerable groups in the

society (Kiondo, Mtatifikolo et al. 1999). Microfinance is not the exception in this case as being among the established organizations to alleviate poverty and enhance development in Tanzania.

In the Tanzania Development Vision 2025, the government acknowledges the contribution of microfinance services in alleviating poverty. Extending credits to people is thought to empower them to increase their income generating activities (Tandari 2004). In this way, people will be enhanced with the possibility of managing the scarce resources more efficiently, protection against risks, provision for the future, and take advantage of investment opportunities for economic returns. Further, microfinance can enhance saving services to the low income people to protect themselves against the periods of low income or specific emergencies and to cover large anticipated expenses, such as school fees<sup>1</sup>. In 1996, the government initiated public awareness initiatives with respect to microfinance. This enhanced different financial institutions to reach the bigger number of the needy people through widening the range of service providers, to include both regulated and non-regulated institutions. These include banks and non-bank financial institutions, NGOs, savings and credit cooperatives societies (SACCOs) etc. As a result, there are several providers of microfinance services in the country. These include 17 commercial banks, 10 non-bank financial institutions, 1 regional bank as well as 2 rural banks. All these are coordinated, supervised and regulated by the bank of Tanzania (BOT) (Rubambey 2005).

### **Microfinance and poor people's well being**

Microfinance has emerged as an essential and basic part of the new development paradigm, described by the phrase 'participation and development' (Johnson and Rogaly 1997; Terry 2006). As previously mentioned, since it was observed to be a very effective method of helping the poor out of poverty in Bangladesh, microfinance has been replicated in many different poor countries of the world. A lot of microfinance institutions have been established with replicating partly or most of what Muhammad Yunus has done. However, when it comes to the extent to which the implementation of these programs had been effective in changing people's lives, endless debates have been raised by different researchers. Different studies have been

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<sup>1</sup><http://www.tanzania.govtz/pdf/nationalmicrofinancepolicy.pdf>. (31.05.2011).

conducted to evaluate if at all this is a concrete ideology when it comes to alleviating poverty. There are both success and failure stories about microfinance services to poor people.

On the side of success stories, studies have claimed that there is a great achievement on poverty alleviation enhanced by the provision of micro credits. This is through providing poor people with economic capacity to purchase other goods and services necessary in improving their situations, such as education, health services, food security, better nutrition, etc. (Littlefield, Morduch et al. 2003). In so doing, there is a subsequent improvement of the family living conditions and equitable gender relations especially when women are provided with loan services. Further, in participating in loan schemes of microfinance services, people are able to increase household and enterprise income, create jobs and entrepreneurial development, through undergoing various entrepreneurship training sessions, before and after being provided with loans (Rhyne, Christen et al. 1999).

Talking about the mechanism through which microfinance operates, studies insist that the programs have the credit of reaching the poor with relatively low income, particularly women. Also, that the programs have been observed to be effective in recovering the outstanding loans, whereby some schemes reports on loan recovery rate of over 95 per cent. Moreover, through its strategic focus on alleviating poverty, microfinance has led to the emergence of empowerment as one of the key objectives of the programs (Johnson and Rogaly 1997; Morduch 1999; Mahmud 2003; Terry 2006). However, to what extent can microfinance enhance empowerment is still under debate. This is due to the complex nature of the concept, carrying different meanings to different people (Arnstein 1969; Rhyne, Christen et al. 1999; Cornwall 2008; Tesoriero 2010). Moreover, microfinance services are believed to be designed to fit client needs and preferences in ways that formal banks have not. “They emphasize simple loan appraisal, no or non-standard collateral, rapid loan approvals, convenient locations, and special features for people who are illiterate, or lack confidence to approach the bank” (Rhyne, Christen et al. 1999:28).

Tanzania, in particular, has embraced these success stories of microfinance to assist in poverty alleviation. In a sense, reports reveal that the country’s economic performance has improved in recent years, even though it has remained among the

poorest countries in the world (Chandy and Gertz 2011). In 2008, the Gross Domestic Product, GDP, increased by 7.4% to about \$464 per capita. However, the National Level Household Budget Survey estimates that 43% of Tanzanians live below the basic needs poverty line (National Bureau of Statistics 2009). The country economy is still dominated by agriculture, which constitutes 45% of total production and providing 80% of employment. This persistency poverty has influenced the government to focus on microcredit in the country's National Strategy for Growth and Reduction of Poverty (abbreviated as MKUKUTA in Swahili). In 2000, the Government emphasized the role of microcredit in its National Microfinance Policy. The policy focuses on the provision of financial services to low income segments of the society with the specific aims of contributing to economic growth and the reduction of poverty (Sigalla and Carney 2012).

However, on the other side of the coin, there is an on-going criticism on the impact of microfinance services to the wellbeing of poor people in different communities. Some of the studies imply that microfinance is oversold, and it does not actually help that much in alleviating poverty, due to its limited access to the targeted poor. Microfinance services are said to be mostly based in urban and sub urban areas, leaving the rural poor out. Further the microfinance institutions charge high interest rate as compared to other lending systems. In addition, many of the poor cannot afford starting a business so that they can be eligible for getting loans (Morduch 1999).

On enhancing gender balance as proclaimed by its supporters, microfinance is on the other hand criticised on perpetuating gender imbalance and discrimination, thus leading to subsequent violence to women who participate in the schemes (Johnson and Rogaly 1997). Women in a large part of African context, for example, even if they access loan services and increase their income, they have to practice within the existing social structures of the community they live in. This is still male dominated, and instead of being empowered, women are being overloaded to participate in loan services, while keeping their gender-related roles in balance. On top of attending weekly or monthly to the microfinance office for their loan repayments and following up for fellow members to enhance continuous good group performance, women still have to take care of their husbands and children, prepare food, clean the house, do the laundry, care for the sick, and sometimes responsible for the welfare of the extended family. Also, some men use their wives as the mediators to access loans from

institutions which target women, but have no control of these loans after they are in the hands of their husbands (Selinger 2008).

Moreover, microfinance is being praised for enhancing savings for the poor. This condition, as posed by the microfinance institutions in their operation, however is questionable. It is doubtfully for example, as for whose benefit is the saving scheme? Are people really interested with saving or only provision of loans? According to Hulmer and Arun (2009:9), it is naïve to assume in general that poor people can save. They believe that “poor people spend all their income and still don’t get enough to eat, so how can they save? The poor may need loans, but the last thing they need, you may think, is saving services”. In this case, it is about what kind of poor people one is talking about, but as microfinance was established to serve ‘the poorest of the poor’ in the community, saving seems more instrumental than it may mean to the borrowers. As Bauman and May (2001:151) contends, such programs are considered as solutions which are held to come before problems, and so seek the problems they might be able to solve. As a result, they only function to the interest of the implementers first and secondly to the so called targeted group.

The directions taken in the above studies are mere evaluative in nature. Further, they overlook the role of clients of microfinance institutions as active participants who also contribute to the history and persistence of these institutions. From the positive side of microfinance implementations, it is important to dig into the fact that, if these services are at all useful, what is the role played by the borrowers which make them seem the way they are? On the negative side of it, it is important also to question into what are the barriers which constrain poor people’s effort to use these opportunities to the extent that they turn out to do more damage than repair. So, this study intends to fill that knowledge gap, by focusing on the initiatives taken by the borrowers to make microfinance services a better option in improving their poverty situation and the accompanied possibilities and constraints. From this point of view, I will now present the lending structure of the microfinance institution which was the focus of my study.

### **Nature and aim of the microfinance institution focused in the study**

The institution was incorporated in Tanzania in May 1993 under the Companies Ordinance Cap 12 (now Act No. 12 Of 2002) as a company limited by guarantee, not having share capital. The main objectives of the institution are focused on the



provision of access to financial services to the microenterprises and low income households in Tanzania.

The mission statement of this microfinance institution is “To create a sustainable financial and information services network in order to stimulate business growth, enhance income and create employment in Tanzania” ([www.pride-tz.org](http://www.pride-tz.org)).

This microfinance institution started its operation in the year 1994 with three branches in three regions of the country. After a significant expansion, the institution today has a total number of 38 branches with its head office in Arusha region. The number of active borrowers has increased from 21,000 in 1998 up to 106,000 in 2008. This positions the institution as the second largest microfinance in the country with the most borrowers. Its loan portfolio amounts to US\$ 27,900,000 (HANDELSHØYSKOLE 2010). The institution has recorded a very low loan loss rate, whereby the repayment rate is 98% and over.

### **Products and services offered by the institution**

The clients of this microfinance institution (MFI) comprises of small and medium entrepreneurs. The institution offers different types of loans of which interest rates also differs according to the loan terms and size. There are individual and group loan services offered by the institution with relatively different conditions. However, there are general conditions applying for all categories. To be eligible for any kind of loan for example, a person must be 18 years of age or above, and must own a business. There is a nil grace period between accepting and repaying the loans which is made on a specific agreed day. In repaying loans, borrowers are obliged to submit a certain amount as savings which are also considered as loan insurance, if an individual defaults ([www.pride-tz.org](http://www.pride-tz.org) ; Wangwe and Lwakatare 2004).

### **MEC loan (Group loan)**

This kind of loan is the most common product, which ranges from Tshs 200,000 to 1,000,000 (approximately US\$ 130 to 650), whereby the increment depends on the performance of the borrower. Except for the first loan cycle, provision of the subsequent loans is subject to the condition that an applicant has a minimum insurance balance amount of 25% of the loan amount. It is based on solidarity group

lending which has several conditions. To be eligible, a person must join a self-selected solidarity group of five members. This is known as the enterprise group. The aggregate of ten enterprise group forms a market enterprise committee (MEC). This is formed by the influence of the microfinance officials to enhance ease administration and group mechanism.

### **Recruitment of group members and loan application process**

The market enterprise committee (MEC) loan is organised in a similar way as the Grameen model, where by in order to qualify for this kind of loan scheme, clients are obliged to create or join an Enterprise Group (EG) which must consist of five members. These members are accountable for each other's loans. If one member from a group defaults on a weekly loan repayment, the other four members are responsible for covering for him. Furthermore, each enterprise group (EG) is organised in a Market Enterprise Group (MEC), consisting of 10 enterprise groups (EGs) and thus 50 clients. The institution branches has on average 160 MECs, which all have one weekly meeting lasting for one hour ([www.pride-tz.org](http://www.pride-tz.org) ; HANDELSHØYSKOLE 2010).

Every market enterprise committee has its own administration through election of its own leaders, the chairperson, the secretary and the treasurer. The chairperson is responsible for leading the weekly loan repayment meetings, while the secretary records attendance and payments. The treasurer on the other hand is responsible for collecting the money from all clients and presents it to the institution's cashier at the end of the meeting.

Every enterprise group (EG) is responsible to recruit a new member if there is an exit, to keep the required number of five; otherwise they are denied with loans. Further, the market enterprise committee (MEC) is responsible to recruit a new enterprise group if there is an exit, even though sometimes the microfinance officials may take the responsibility. The market enterprise committee is also responsible for approval of a new suggested member in a group. It appoints three representatives to inspect the business enterprise of the applicant. Normally, the institution will accept a client and his loan application only after the market enterprise committee has approved it.

With exception of the first loan, a client is supposed to possess a balance of 25% of the total loan amount applied for. This loan insurance is established and built up by compulsory weekly savings contributions. Loans are charged an interest of 28 to 30% on top of other fees. This is slightly higher than the prevailing market lending rate.

Before being provided with loans, prospective borrowers are supposed to participate in a one week seminar in which they are introduced to the aspect of the microfinance loan program. They are also given lessons on management of micro enterprise operation.

### **Strategies for loan repayment**

All borrowers are supposed to attend in person, all weekly meeting at the centre close to them, and co-guarantee other members in the same group. Members are supposed to visit the residence and micro enterprises of the fellow other members for the purpose of screening, monitoring and appraisal for loans. These conditions are cumbersome; hence make the well-off clients not attracted. However, inspite of these conditions, poor people are still attracted because they have few alternatives (if any) of capital, hence these conditions make the scheme loans accessible to poor people.

The weekly meeting at the institution premises lasts for a maximum of one hour. During this time, all weekly loan repayments have to be made. These include loan, interest and savings. The following table illustrates the weekly repayment of loans of different sizes.

**Table I: Weekly Loan repayment for various loan sizes**

Variable	Loan category			
	1	2	3	4
Loan size (Tshs)	100,000	250,000	500,000	1,000,000
Insurance (Tshs)	1,500	1,500	1,500	1,500
Interest (28-30%)	30	30	28	28
Loan repayment per week	25	50	50	50
Interest (Tshs)	4,000	5,000	10,000	20,000
Interest per week (Tshs)	600	1,500	2,800	5,600
Total repayment per week (Tshs)	6,100	8,000	14,300	27,100

**Source:** (PRIDETanzania 2005)

No one is allowed to jump his or her loan circle regardless of the business performance. However, through the arranged compulsory weekly savings, a client loan increase is subject to the amount of the accumulated savings. This compulsory savings are also important for the purpose of reducing defaulting risks as they are used to cover the loan of the defaulting member. Further, savings earn interest, whereby clients are provided with bonus on yearly basis depending on the amount saved.

Moreover, the microfinance institution holds the market enterprise committee (MEC) group responsible for security against defaulters. In doing this, all the 50 members of the committee are made to remain in the microfinance premises until the weekly contribution for one or more members from the enterprise groups (EGs) is raised. As a result, sometimes the one hour meeting planned for the repayment purposes lasts longer.

## **Individual loans**

To be eligible for this kind of loan, an individual must possess near collateral items such as land or house with title of ownership. These are pledged as additional guarantee to reinforce security supported by formal legal agreements. A client has freedom to choose a variable loan term from 6 to 24 months, with a monthly loan repayment. The loan cycles varies from 2,000,000 to 15,000,000, Tanzanian shillings (Tshs) with an interest rate of 20 to 23 per cent. There is also a half yearly bonus pay out on compulsory savings. There is no need for meeting at the institution apart from monthly repayment.

With the above discussion on microfinance, the following discussion is about the utility of the selected topic to community work.

## **Selection of topic and its relevance to community work**

Community work does not mean doing things for people, but rather assisting them to improve their situations by taking autonomous collective action (Twelvetrees 1991). Community work is based on a belief that people are capable, social individuals, who know what and how to do things. They are as individuals with conscious and willingness to follow their course of action (Twelvetrees 1991:1). The function of community work is to assist people to realize their potentials, by boosting or stimulating their capacities so that they can make change. Through group lending in microfinance institutions, people are assisted with loans so as to improve their poverty situation. As discussed before, microfinance services are there as one of the options for alleviating poverty in the society. People join the loan groups by their willingness, though with different influences as will be discussed later in the theoretical chapter. They also take the autonomy to select members and establish their own groups in a way they think will function well throughout the loan cycles.

In the evolution and practice of microfinance discussed before, there were some concepts used, which are also key concepts in community work. These were such as empowerment, solidarity, bottom-up approach, participation, social capital, etc. (Arnstein 1969; Minkler 2005; Cornwall 2008; 2010:81) . These will be explored further in the coming chapters of this thesis. With reference to Ledwith (2005), community work begins where people are, in their everyday lives. The main goal of

assisting people to improve their situation in community work, lies on the principle of collective action (Twelvetrees 1991). This is what microfinance does through group lending among the poor in the community so that they can improve their economic situation by offering guarantee for each other's loan. Freire supports this activity by saying that liberation can be achieved through true solidarity among the oppressed (Freire 1996:33).

The borrowers of microfinance institutions organize themselves to form groups of members who guarantee each other to be eligible to get loans (Ghatak 1999). This can exemplify social capital in community work, which refers to people doing things together, solidarity and human relationship necessary for holding a community for mutual benefit (Tesoriero 2010:15). The 'what' and 'how' consideration on the mobilization of these people is made possible by considering people as having agency, to mobilize themselves and act in responding to the demands of the environment surrounding them (Fuchs 2001). According to Freire(1996:48-49), "no one liberates himself by his own efforts alone, neither is he liberated by others". The oppressed can liberate themselves by joined efforts with those who show true solidarity. In the same way, loan takers are given power to choose for themselves the eligible members for their groups before they can apply for loans.

### **General and specific objectives of the study**

The general objective of the study was to explore about people's actions as they make use of the available microfinance services so as to alleviate poverty.

To particular, the following were specific objectives of the study.

1. To explore how people form their groups
2. To explore about what people do to remain in groups
3. To explore how people organize themselves to access and repay the loans.
4. To identify the challenges encountered by loan takers in the process of accessing and repaying loans.

## **Significance of the study**

The significance of this study extends to various stakeholders in the community depending on what role they play in the whole process of community development. In this case, this study can have significance to the following groups:

### **Researchers**

This study will add to the limited literature on microfinance in Tanzania, particularly with the different non evaluative direction, taking into consideration of the active role played by clients of these institutions. It can be a source of knowledge to various researchers in understanding about peoples actions in utilising the opportunities provided by microfinance institutions in alleviating poverty. As such, the study will contribute to the debate on the enabling and constraining mechanisms of the microfinance structures in poverty alleviation, particularly when integrated with social and economic structures.

### **The government as a main player in policy making**

In Tanzania laws and policies governing microfinance institutions are enacted by the parliament and the central bank regulates and coordinates the formation and conduct of these institutions. Poverty alleviation in Tanzania is also highly dependent on the policies made. These policies may however facilitate or block people's efforts to get out of poverty. The microfinance policy in Tanzania for example, states clearly that it is upon the microfinance owners to decide on the mode they will provide their services without being interfered by the state. This includes the way they monitor and control delinquency to enhance high repayment rates (Tanzania 2000). Many of the microfinance institutions have then taken this loop as an advantage to maximize their business oriented goals at the expense of poverty. Likewise, there is no uniform in practise among these institutions, neither is there any coordination. This makes people free to take loans from different institutions at the same time, which might risk the fellow group members' performance in case of default. Moreover, in controlling delinquency, some microfinance institutions have been applying punitive measures for cases of defaulting members. This adds stigmatization to the poor people.

Tanzania is going through economic restructuring to enhance wellbeing of its citizens. The structural adjustments programmes have led to unemployment to a big number of the civil employers, who have now turned into entrepreneurs to make their living. From this study, it is expected that the importance of the micro credit to poor people will be indicated as the possible alternative. So the government will see the importance of investing more in making the services available to the larger possible population of the Tanzanians, particularly the rural poor who are considered to be left out.

### **Microfinance institutions and other NGOs assisting in poverty alleviation**

Through this study, different NGOs can learn to change their perception on people. Many implementations from the NGOs come with the ready-made solutions to people's problems, forgetting that people have agency and can initiate changes which touch their welfare. These ready-made solutions sometimes collide with the interests of the target population which lead to poor goal achievement. As will be discussed later in analysis, it is not enough to invite women to participate in microfinance schemes as a way of empowering them before addressing gender issues in the family and society level. Otherwise we can see a large number of women participating in microcredit schemes at the same time poverty will prevail. In this way, there is a need for collaboration among different NGOs working with empowering women and even other marginalised groups in the community. This will change the perception that poverty can only be solved through economic empowerment by providing loans. Rather, there is an importance of regulating social structures to enhance fruitful participation in loan schemes as well as positive results.

Most microfinance institutions have not done much to follow-up on the impact of their schemes on their clients. They only assume that 100 per cent repayment rates imply that their clients are performing well. The results and discussions of this study will assist the microfinance institutions to critically analyse their programs in the manner which will deliver positive impact on the lives of their clients and make them a better choice for the poor people, and not a place where only inferior people can get access because they have nowhere else to go.



## **Organization of the thesis**

This thesis is organized in six different chapters. The first chapter is mainly about introducing the subject matter of the study with the background, objectives and utility of the selected topic to community work profession. Also the chapter covers general literature on microfinance and particular on the microfinance institution which has been the focus of the study.

The second chapter is about the theoretical framework of the study. The main theory of focus is agency, and some other arising theories like modernization and urbanization as determinants for people's agency. This explores on the factors that can facilitate or limit people's motive to participate in microfinance schemes.

The third chapter is about the research design, the methodology aspect of the study. It includes rationality behind the selection of the area of study, sample size and sampling procedures. In addition, it includes methods of data collection and the framework for analysis.

The next two chapters are analytical. They present a critical analysis of the data from the field. Chapter four is about people's actions in making microfinance services work profitably for them. This is the longest chapter, which states in details what people do in forming their groups, making those groups work as well as deal with the resulting challenges.

The fifth chapter is about gender issues in microfinance services. Although it was not the point of focus at the beginning of the thesis and proposal writing, gender issue turned out as an important topic to be analysed. This was due to the striking facts raised by women clients of the microfinance institution which I collected data from. This chapter therefore, explores about what it implies, to be a woman and a borrower in group loan schemes, the challenges and opportunities, opportunities and constraints microfinance can create for women. This follows the observed large relative number of women as clients of microfinance schemes.

The last chapter is about the summary of the findings, conclusion and suggestions for further studies.

## CHAPTER TWO

### THEORETICAL FRAMEWORK

#### Introduction

The previous chapter was basically an introductory one, which aimed at presenting the background to the study. Also, the chapter covers the literature on microfinance both generally as a globally used concept as well as in particular setting of Tanzania. The objectives and essence of the study were also presented, as well as the organization of the thesis. In this chapter I will account for the key concepts, theoretical debates and the body of knowledge relevant to my research topic. I will specifically explore on the possibilities and constraints surrounding people's actions as they respond to a particular situation. In so doing, I will explore the framework within which we can better understand people's actions towards the set structure of the microfinance schemes being a part of other contributing factors for why people do what they do. This will be done through the framework of agency theory as the major theory and other arising theories. The focus will be to what extent, can theories help us to understand the functioning of group lending in microfinance, through the dynamics involved in group formation as well as group operation?

#### Agency theory

The aim of the agency theory is to explain and understand about people's actions in relation to the situation at hand. As Hollis (1994) puts it, agency can well be understood by considering people as agents and actors, who take an active role in structures named as systems and games. This is explained in the following matrix.

**Figure 1: Hollis's matrix**

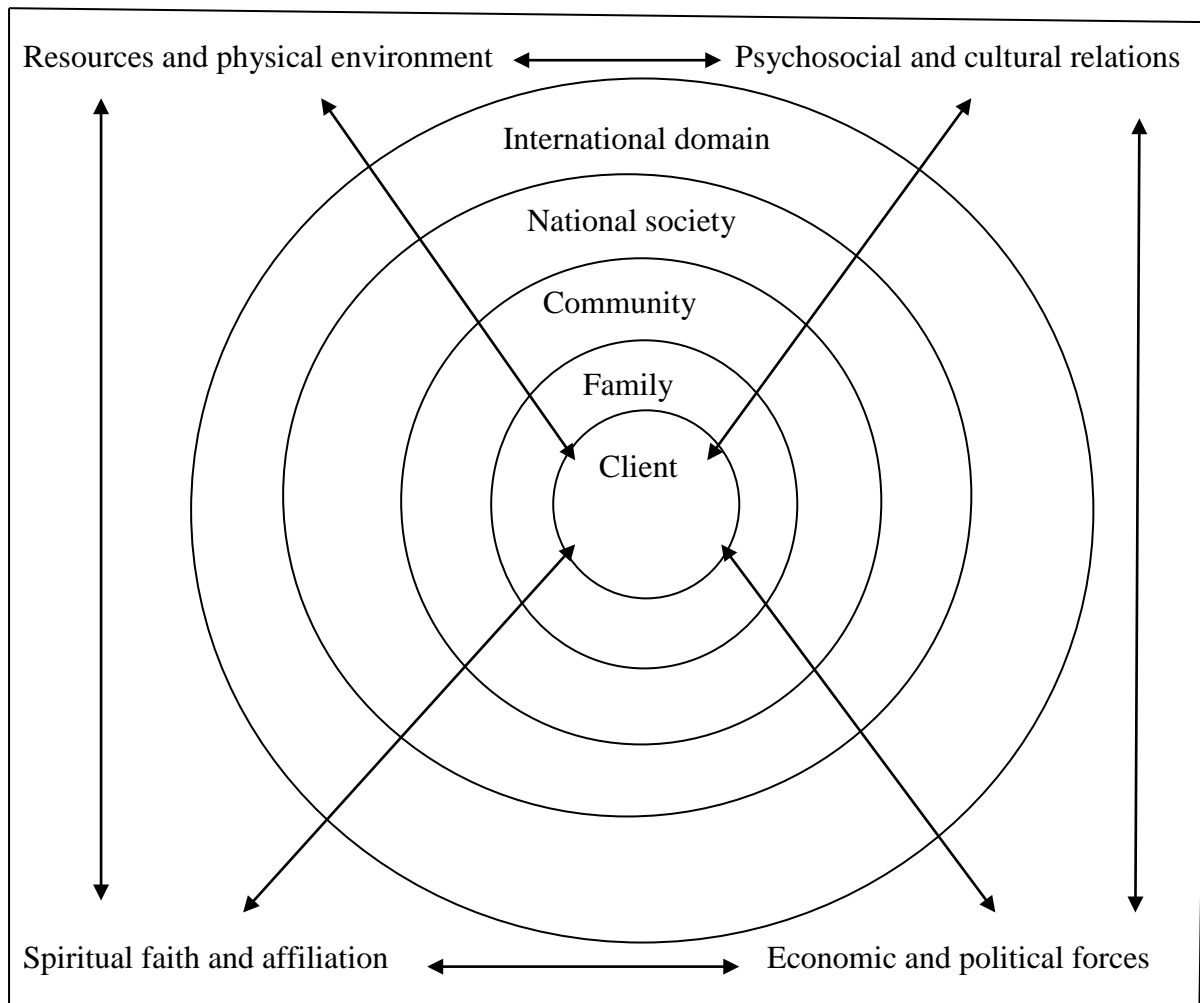
	Explanation	Understanding
Holism	Systems	Games
Individualism	Agents	Actors

**Source:** Extracted from Hollis (1994:19), interrelationship of agency and structure

In his explanation, Hollis consider people as players who participate in a game which has its own set rules and regulations. These rules of the game constrain the players while on the other hand enable them to pursue their intended ends. In this way, there is a dialectic relationship between the characters of the matrix, where by agent and actors may be influenced by the nature of the systems and games, yet their actions may shape these systems and games.

Concurrent with the matrix above, Dominelli (2002) points out that people's identity can be well understood based on the influence of the social contexts surrounding them. The following figure illustrates.

**Figure 2: The contexts which may influence people's motives to act**



**Source:** Extracted from Dominelli (2002:24), the multidimensionality of context

The above figure can also be used to explain or understand illustrates the motives behind people's actions and behaviours. These can be triggered by the pressure from the family, being marital status or responsibilities. It can also be influenced by community structure through the set of expectations and stereotypes. Further, people's actions can be a result of the functioning structure of the larger national society, in terms of politics and policies, while on the other hand it can be the result of international domain, such as the declaration by the United Nations that microfinance is the best way for alleviating poverty. Such information, when reach to people, may influence their way of thinking and be a reason to take part in such systems of loan schemes. Nevertheless, factors like the physical environment e.g. infrastructure; spirituality, psychosocial, economic and political forces plays a role in determining why people act the way they act, as it will be discussed later in this chapter.

In agency theory, people are perceived as controllers of their choices and courses of actions to reach their determined ends from many of the options surrounding them. Agency then, reflects on the capability people have to make sense of the world they are living in and change it through redefining and negotiating meaning. They can thus act, interact with others, and interact with themselves, because they have intentions and goals to do something. Agency defines people as actors, who can define and redefine situations within the structural limits on what can be accomplished and changed. Agency is peoples' capability of doing things which depend upon the capability of the individual to make a difference to a preexisting state of affairs (Shilling 1997:741; Fuchs 2001). In making use of the available microfinance institutions, it is important to view loan takers as capable individuals, who can experience the world around them, to see how they can change their poverty situations by using the opportunities available. They are making rational choices which they find to be helpful in relation to what they intend to achieve.

There is however guidelines for these rational choices from which people choose to act. Why for example, do people choose to join loan groups? Making choice to a course of action can be determined by various factors such as personal background, age, physical (dis)ability, education level and many other things one can mention, partly as resulting from the figure cited from Dominelli (2002) above. As Bauman and May (2001) maintains, people do act with a purpose, which is determined by motives they have in creating or responding to a situation, which for some reasons seems to them preferable. According to Fuchs (2001:30) "agency is not a solid explanatory concept but rather an explanandum and dependent variable". It may be associated with " selfhood, motivation, will, purposiveness, intentionality, choice, initiative, freedom and creativity" (Emirbayer and Mische 1998:2). Systems and games as presented by Hollis can mean many different situations which make a framework for people's choice and influence to act. In relation to this argument, I will discuss critical consciousness, empowerment, participation and culture as the determinants for people's actions when it comes to participation in group loan services of the microfinance schemes.

## **Agency and critical consciousness**

According to Ledwith and Campling (2005) critical consciousness refers to the stage of awareness needed for empowerment to collectively act in relation to a wider contexts of power from local to global. It is enhanced by “dialogue”, the communication of people so that they can join their forces and benefit from the loans provided (Freire 1996).

Agency, further, requires consciousness, free will and reflexivity. Consciousness allows humans to think about what they are going to do, to compare various alternatives, and to anticipate possible outcomes (Fuchs 2001). In this study, likewise, loan takers are perceived as individuals with free will, to choose to participate in group loan schemes, with a particular group of people, due to what they expect to gain out of it. There are so many microfinance institutions in Tanzania, with different target groups and mode of conducting their services. In this way, there must be different considerations made by loan takers before deciding to participate in this particular microfinance institution among the many others available. Likewise, they had their good reasons to opt for group loan services among other forms of lending as presented in the first chapter.

Human beings as differentiated from animals, have the capacity to understand the world they are living in and hence transform it to make it more useful for them. They think and act upon their thoughts (Freire 1996). Critical consciousness is then a necessary ingredient to enhance reflective thinking which is a determinant for taking sensible actions. According to the theories of rational choice, people, being rational, base their actions on what they consider being the most effective means to their goals, by weighing alternative means to alternative ends and choose between them. They do so guided by the costs and the rewards of the alternatives available before choosing the most convenient, comfortable, interesting and attractive one, which is more closely connected to the felt need of the moment. (Shilling 1999; Bauman and May 2001; Wallace and Wolf 2006:303-304). Through critical consciousness, poor people are aware of the economic constraints resulting from poverty. They have observed and weighed the available opportunities before taking a decision to join groups so that they can use it as an opportunity for getting out of poverty.

## **Agency, capability and empowerment**

Group formation is the requirement of the microfinance institutions so that members can be provided with loans. However, there are other choices of taking a loan as an individual, if a person wants to. As mentioned before, group lending aims at helping those poor borrowers who do not have collaterals for applying for the loans. It is thus based on group collateral, whereby members are responsible for each other's loan (Johnson and Rogaly 1997). It can be viewed as a way of joining efforts for poor people so that they can benefit from microfinance services, and as previously mentioned; microfinance focuses on empowering poor people on economic basis through providing them with loans to improve their business enterprises and income.

Tesoriero (2010) maintains that empowerment is all about power, the capability to influence change. Likewise, agency is about the power to act purposely to the advantage of the individuals and groups in communities (Welzel and Inglehart 2010). How capable then are the poor people as far as loan services are concerned? Poor people can have difficulty to influence change due to their economic situation. They are perceived as insecure and risky borrowers who are always excluded in the lending systems of the big financial institutions like banks (Rhyne, Christen et al. 1999; Pant 2009). Joining groups to access loans can then be the only alternative for them as they cannot afford individual loans, neither borrowing from banks which demands for collaterals. Bauman and May (2001:62-63) maintain that,

*“Power is best understood as pursuing freely chosen ends towards which our actions are oriented and of then commanding the necessary means towards the pursuit of those ends. Power, therefore, is an enabling capacity... power determines the range of choices”.*

Having power to influence change has something to do with what people can do in reference to their capability to act. This determines freedom of choice, that is the more power people have the more the ability to act and vice versa.

Moreover, even though there might be power constraints for loan takers, empowerment can still be the influence behind their participation in group loans. According to Minkler (2005:34-35), empowerment can be achieved when people assume greater power or expand their power from within to create desired change. In

relation to agency, this may be the reason behind people's choice to take part in group loan schemes so that they can join their strength and together benefit from the provided services. This is what Dominelli (2002:17) terms as "power to", the transformative power which is the people's potential to take action to achieve certain ends. This form of power demands for people to join their individual efforts together, if they want to make change of their situation. It is based on "power from within" and "power with others" which are moral, spiritual and skill-based (Minkler 2005).

Empowerment as a process, can be manifested in various dimensions such as material, and cognitive empowerment (Mahmud 2003:585). Material empowerment can be a motive for people to join loan groups so that they can expand their material resources. As mentioned previously, group members must possess a relatively small business before they can be provided with loans. They may then be motivated to join for group loans so as to improve their business and hence their income. On the other hand however, this form of power might be the limitation for people to take part in this form of operation. For example, people who cannot afford to establish business as the microfinance institution demands.

Cognitive empowerment on the other hand can be a motive to join loan groups after people have recognized their own abilities and skills and thus have greater self-confidence. By studying their environment and understanding the barriers to change their poverty situation, people may take the decision to overcome those barriers because they believe that they are capable to do so. They are then ready to join for group loans.

### **Agency and participation**

Agency demands for people's participation in a particular activity. Participation however, as discussed by different authors, can have different meanings attached to different interests and agendas. On the other hand, people participate for what they get from it. As a result the modes and conditions for participation can be both inclusive and exclusive to some people in the society, thereby influencing agency (Twelvetrees 1991; Cornwall 2008; Tesoriero 2010). In order to access loans, for example, people are required to participate by forming self-selected groups of five members. What does this kind of participation means to both the microfinance institutions and people called to participate? According to Ghatak (1999), peer selection in group formation



is perceived as an effort towards reducing screening costs as well as to ensure prompt loan repayment, a strategy used by the microfinance institutions. It has actually nothing to do with any consideration on the part of the borrowers. However, this may have a positive implication for the borrowers of having to deal with people they know well, rather than if it were the institution which had to create these groups. Moreover, the guarantee for mutual support enhanced by group loan schemes may influence people's choice to participate in this form rather than the individual one. They opt for this kind of participation as for them it seems to offer better rewards in relation to their poverty situation than it is with individual loans.

Apart from possessing small business enterprises, group members are obliged to attend weekly at the microfinance institution, repay for the defaulting members, ensure the functioning of fellow members' business performances etc. (Johnson and Rogaly 1997; Jaffer 1999). What can be the implication for such conditions? According to Tesoriero (2010:152) people will participate if the decision to engage themselves in that kind of participation will be, as far as possible, an easy and comfortable decision. It should be motivating enough to influence people to join in the mission. Otherwise, participatory processes can serve to deepen the exclusion of particular groups in the community (Cornwall 2008). People who will feel this approach as a heavy burden may opt not to take part in this kind of participation.

However, on the other hand, there is self-exclusion as far as participation is concerned (Cornwall 2008). Agency involves making choices about what people want to do. People's capacity to exert agency enable them to make choices about what to maximize in their lives. These choices are most likely to differ as they are not predetermined (Welzel and Inglehart 2010). Following this line of argument, then, it is not a must for all poor people to join for group loans. Rather, it is a matter of choice, and people have different approaches to solve their problems.

### **Agency and culture**

Culture is a wide concept which sets the framework for an individual's way of life. It defines a society at a particular time and place to include all the knowledge and values. In a society we find customs, religious beliefs, education etc. All these can determine and influence people's agency. Culture can make people react differently upon the same situation in relation to what they think to be more important, the right

way to do things, what is fair or right, the place of women or gender issues etc. (Tesoriero 2010). People do act within the framework of the expectations of the groups they belong. As a result, the actions of an individual is, as a rule, mediated by the actions of many others in the group that person belongs (Bauman and May 2001:67&73). Further, people's capacity of agency is socially constrained through the socialization process. Humans are social beings who are highly emotionally attached to and influenced by group pressures, which as a result regulate their behavior by limiting their capacity to freely change in different aspects (Welzel and Inglehart 2010). Agency, likewise, can be perceived as being social, since it focuses on engagement and disengagement of people from different social contexts which shape their social worlds (Emirbayer and Mische 1998). How then does culture influence people's agency? I will explore this discussion in the framework of religion, gender, age, education, urbanization as well as modernization.

## **Religion**

Religion is mostly about rules which govern people's relationship with their God. They explicitly tell what to do and what not to do so as to please God. Many of the Christian religions are guided by Ten Commandments found in the holy bible while the Muslims are guided by the five pillars of the Quran. These two main religions vary greatly in their practice. Christianity for example separates faith based issues from government issues, being rules and regulations. Islamic religion on the other hand claims that there cannot be separation between religion and state, demanding always for the implementation of sharia in state laws, which is so done in all Islamic countries (Segrado 2005). Without dwelling much into what means what in these two religions, I will rather focus on how Islamic religion as an example, can influence agency.

In the Islamic banking system, the word "Riba" meaning any fixed guaranteed interest payment on cash advances or on deposits is prohibited (Segrado 2005:8-9). On the other hand, the charged interest rate by the microfinance institutions is the way believed to make microfinance institutions sustainable, and growing enough to reach as many as possible (Johnson and Rogaly 1997). These two situations are contradicting each other. In relation to agency, religious belief can be a limiting aspect for the Muslims to join loan groups, even though it might be a way out of their

poverty situations. This is because religion has to do with moral duties which might bring tensions with a desire for self-preservation which is derived from membership of a group (Bauman and May 2001). Joining or not joining for group loans may result from choices people make by weighing the most rewarding option between religion and economy.

Moreover, religion sets a framework in people's relationships in a family as well as gender relations. These include marital relationships among wife and husband, parents and children and so forth. These can have a great influence in people's choices to act as they take part in loan schemes of the microfinance institutions. Both Christianity and Islamic religions preach that women must be obedient to their husbands, take care of the house and the children. On the other hand, working outside home for bread winning purposes is the responsibility given to men, who are proclaimed to be heads in the family. In this way, their decisions matters most. In a sense, religion plays a big role in creating order in lives of those who takes part in (Douglas 1966). The way people may take part in microfinance schemes is determined by what heeds the pay, by either being religious or the other way round. This will be explored further in the analysis chapters.

### **Gender and age as determinants of agency**

Most of the clients of the microfinance institutions in Tanzania are women, who in most cases are averagely educated, with either primary and/ or secondary education, with or without further vocational training (Wangwe and Lwakatare 2004). How does gender influence agency, the choice to participate in loan groups? Most of the microfinance institutions demand for material collateral for individual loans. On the other hand, in less developed countries like Tanzania, it is always men who own properties like house and land in the family, either by buying or inheriting. Setting standards for big loans to include high valued collateral like land or houses, automatically exclude women from the scheme (Cheston 2007:16). It leaves group loans as the only alternative for most women and some few men without collateral. This also will be explored further in gender as an analytical chapter of this thesis.

Age can also influence agency in relation to participation in loan groups. Participating in group loans demands for an individual's capacity to operate a business in a profit manner enough to ensure prompt repayment. Also, to attend weekly at the

microfinance institution, visiting other member's business areas, etc. These activities demand for a person young and strong enough to afford the endless routines as well as old and matured enough to make sound decisions and judgements when problems arise. It is about the demanding activities of being in a group and operating as a group throughout. Some of them might be both too much for the young person as well as the old one who cannot take the accompanying challenges. For example, old people may consider the weekly visit at the microfinance office as tiring in relation to their age and capability to move around, especially if it involves taking public transport, which in Tanzania for example is quite uncomfortable.

### **Modernization and urbanization**

The process of modernization and urbanization goes together in a sense that modernization can lead to urbanization. The modernization theory is basically about the process of change from primitive to advanced societies, in relation to the western societies of Europe and America. The third world countries are considered as in the process of modernization to resemble the so called developed societies. There are changes from traditional to modern modes of production such as use of quality seeds and modern ways of cultivation as copied from the developed modern societies. Further, modernization has resulted to change in social structures in developing communities. People have been forced to enter to the labour market to afford for the money economy which was previously based on goods exchange. Agriculture has also lost its importance and many people from rural areas are shifting to urban so that they can secure employment (So 1990). As a result, there is the problem of employment, which makes most of the urban dwellers to opt to orient themselves in small scale business enterprises in order to earn their daily living requirements. This being due to the constraints faced by their small capital, they end up joining microfinance institutions, for example, so that they can increase their capital, income and meet the demands for the urban money economy oriented way of life.

Moreover, modernization has led to new ways of thinking in societies. Issues of women empowerment and gender balance, for example, are on the highest echo through different activists as well as political leaders. This goes parallel with formal education to substitute for informal and traditional education which was there previously, particularly among the African countries. Recently, in Tanzania, primary

education is compulsory for all children, and parents may be sued for not sending their children to school at the right age. Moreover, educating children, both girls and boys, is now perceived as insurance for the parents as educated children will be able to secure employment and hence help their parents when they get old. Such conditions influence people's choice to act. People change to accommodate the shifting needs and opportunities of life, demanding for shifting adaptation strategies. In this way, agency also shift according to time, being composed of variable and changing orientations within the flow of time (Emirbayer and Mische 1998; Welzel and Inglehart 2010).

On the other hand however, the process of modernisation and urbanization can be a barrier for agency towards utilizing the available microfinance institutions. The existing difference between urban and rural areas in terms of infrastructure has made most of the microfinance institutions in Tanzania to be in towns and big cities (Wangwe and Lwakatare 2004). As a result, those interested business entrepreneurs from the rural and remote urban areas cannot access the loan services even if they might be capable of forming their groups and repaying loans. Moreover, this can be a problem to those who cannot migrate to urban areas due to various reasons. Their agency is in this way limited.

### **Agency and poverty - Concluding remarks**

Poor people are aware of their situation. They might be ready to solve their situation by taking actions according to the available opportunities such as engaging in group loans. However, they are obliged to act within the framework of their culture, resources, education, capital, changing family roles due to modernization and urbanization etc. in addition to the framework of the microfinance institution they participate in. Such frameworks might be opening or closing doors for their intended actions. Forming groups for accessing loans from the microfinance institutions might be the best option for some poor people who have economic constraints. However, the form of operation can also be a barrier for others to take part as it is seen in the case of religious belief and culture. It is not about how good or bad microfinance services can be, but what people want and can do in relation to the situation at hand, being surrounded by many opportunities from which they can make choice, microfinance being one of them.

## **CHAPTER THREE**

### **RESEARCH DESIGN, METHODS FOR DATA COLLECTION AND FRAMEWORK FOR ANALYSIS**

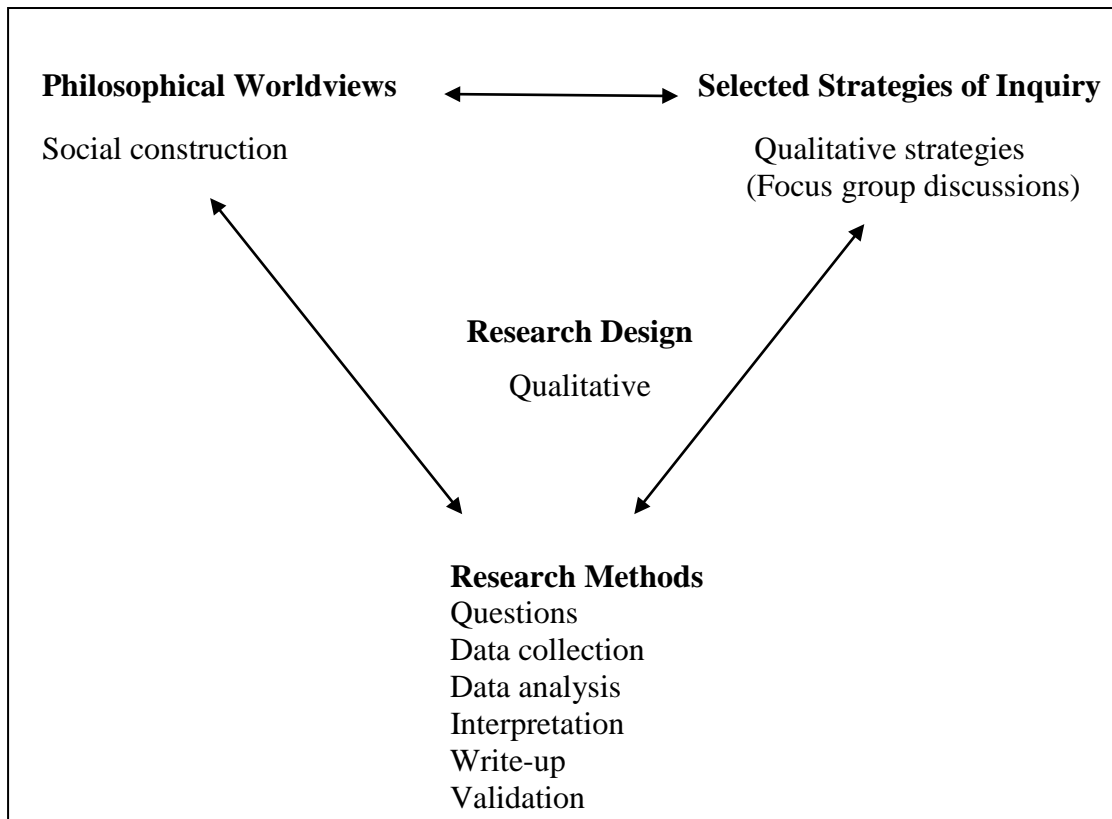
#### **Introduction**

This chapter aims at describing the research design and how the researcher planned and employed the methods for data collection (i.e. procedures of inquiry) during the field work, as well as the interpretation and analysis procedures. In the methodology part of the thesis, Nygaard insists on the point of showing how a researcher approached the answer(s) to the research question. This is not enough as it is also important to explain the rationale behind choosing that particular approach and not the other (Nygaard 2008:104). In this chapter, this will be considered throughout the discussion.

#### **Research design**

In order to make the discussion more clear, I will start by employing the framework for research design as proposed by Creswell in the figure below:

**Figure 3: A framework for Design- the interconnections of Worldviews, Strategies of inquiry and Research Methods**



**Source:** Derived from Creswell (2009: 5).

According to Creswell (2009:3) based on the nature of the problem to be studied and the respondents for the study are among the major determinants for the selection of a research design. As stated in the introductory chapter, this study, based on the research question had the general objective of exploring people’s response in making use of the microfinance services to improve their poverty situation. This exploration leads to the main focus on ‘what is happening’ when people are negotiating the enabling and constraining aspects of microfinance services. In so saying, this study requires using a method which will provide a range of information through in-depth discussions. Further, in the process of benefiting from microfinance services, loan takers participate as clients to enhance economic empowerment so as they can alleviate poverty after gaining access to loan services. Inquiring into people’s participation and empowerment aspects require adoption of a pragmatic and non-rigid method, which for this case is a qualitative oriented research method. This is based on

the philosophical view of social constructivism which emphasizes on the belief that individuals develop subjective meanings of their experiences. So the researcher should seek as much as possible to rely on the respondents' views on the situation being studied. That is drawing knowledge from "what people say or do in their life settings", which depends on their historical and social perspectives (Creswell 2009:5-9).

### **Strategies of inquiry**

Bell (2010) contends that, the strategies of inquiry are selected based on the kind of information the researcher wants to obtain so as to produce a complete piece of research. Being a qualitative research, the study employed phenomenology so as to understand the lived experiences of the borrowers of the microfinance institutions when they strategically act to access loans. According to Creswell (2009), this strategy of inquiry assumes the essence of human experience about a phenomenon to be studied as described by the respondents. Data is gathered following participants' meaning which they hold about a research topic. So in this study, the strategy for inquiry was chosen by taking into consideration that group loan members of the microfinance institution have a story to tell concerning their way of organizing and mobilizing themselves to become clients and remain in the system of the microfinance scheme. Following this line of argument focus group discussions was employed as the major technique for data collection. It was more sensible for this kind of informants who share most of their characteristics as clients of the microfinance institutions, and who are held responsible as a group in all matters concerning their loans. Whatever actions they plan to do on matters concerning loan services revolves around their identity as a group and not on individual basis. The next section will explore more on focus group discussion as a concept applied particular in this study.

### **Focus group discussion**

The reason behind choosing this form of data collection was based on the fact that groups consists of individuals, with different background, experiences, capabilities and skills. So employing this method intended to gain an insight on how loan takers use their personal characteristics to enhance smooth participation in group loan schemes, based on the opportunities and constraints brought about by the



microfinance structure. This is from establishing groups, making them work and dealing with their challenges, as will be presented later in the analysis phase. But what are focus group discussions?

Focus group discussions can sometimes be used interchangeable with ‘group interview’, ‘focus group interview’. However, for the purpose of this study, I choose to call them focus group discussions. Many authors have conceptualised focus groups in a relatively different way. Barbour (2010:2) understand focus group as any group discussion in which the” researcher is actively encouraging of, and attentive to, the group interaction”. The researcher’s responsibility is to encourage group interaction and ensuring that participants talk among themselves rather only interacting with the researcher. Shamdasani et al (Stewart, Shamdasani et al. 2007:37) on the other hand, conceptualises focus group discussions as those situations when the assembled group is small enough to allow genuine interaction among all its members. Moreover, Morgan (1996:130) elaborates focus groups as “a research technique that collects data through group interaction on a topic determined by a researcher”. Through this conception, the following three main characteristics of a focused group discussion are identified:

*“First, focus groups as a research method devoted to data collection. Second, it locates the interaction in a group discussion as the source of the data. Third, it acknowledges the researcher’s active role in creating the group discussion for data collection purposes”.*

Focus groups enhances gathering of qualitative data from individuals who share some particular concrete situations, with common identity and goals (Stewart, Shamdasani et al. 2007:9-10). Further, Goffman as cited by Sudman (2009:71) maintains that research groups are characterized as social gatherings where people meet face-to-face causing mutually and immediate interaction in a specific time and place. These interactions enhance the researcher to acquire a better understanding of the group dynamics which affect individuals’ perceptions, information processing and decision making (Stewart, Shamdasani et al. 2007).

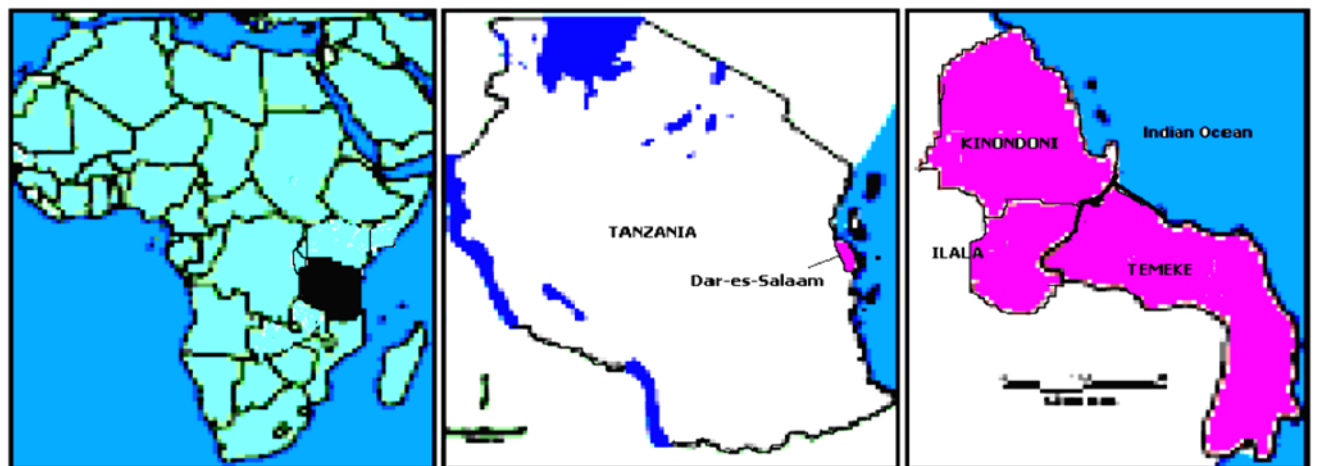
As previously mentioned, further, this thesis is guided by agency theory, which is about people’s action in relation to the situation at hand. People’s actions may involve attitudes, perceptions, ideas, suggestions etc. In order to gain an insight to these

actions, focus group discussions become a prominent method to inquire into people. In these settings, participants are able to query each other and also explain themselves to each other in responding to the point of discussion posed by the researcher (Morgan 1996; Stewart, Shamdasani et al. 2007; Barbour 2010). Moreover, as mentioned before, this study is guided by a social constructionist world view. In this framework focus groups are perceived as social moments, including several participants which create a meaning to the point of discussion. The role of the researcher is to observe those processes which are meaningful in the course of social interaction among the participants. However, the researcher also becomes part of the participants in a group (Sudman 2009:71).

### **Study area and population**

The figure below represents the map of the area of focus of my study.

**Figure 4: Map of Tanzania, Dar es Salaam, Ilala district**



The location of the study area was Ilala municipal/district, Dar es salaam, Tanzania. The selection for the area of study was done based on several considerations. Firstly, involving Dar es Salaam city was based on the fact that the place is the central focus

of the government when it comes to radical economic reforms. In many ways, the city has created itself into a thorough modern African city. In policy terms, the city like many others which have been influenced by socialist nationalism has been characterised with thorough embracing of the liberalized market economy. So, there was a great possibility of finding microfinance institutions for the purpose of data collection. Also, as mentioned previously in the introduction chapter, many of the established microfinance institutions in the country are concentrated in the urban and semi-urban areas. So people from the Dar es Salaam city have a relatively good access to microfinance facilities. The city is also the largest in the country and a commercial centre, the informal sector is well developed, making it possible to identify microfinance institutions with active clients. Moreover, many loan takers residing in Dar es Salaam are immigrants from rural areas, facing a number of challenges in their attempt to balance the possibilities provided by modern development against the expectations, constraints and traditional roles they embody.

The Ilala district is among the three districts found in the city. This area is popular for being a commercial area with a relative big number of business enterprises when compared to others. The choice behind this area as a focused for my study then lied on the belief that it was easy to find loan takers who are operators of those business enterprises.

Lastly, the choice of this particular microfinance institution was based on its history and current performance. As mentioned previously in the introduction chapter, this is the second largest microfinance institution in Tanzania, with a relatively large number of active clients. The institution has also recorded the high loan repayment rate, something which indicates its better performance. There are many branches in Dar es Salaam, something which I considered as enhancing easy in access.

On the other hand, area selection for the study was based on the salient considerations of convenience in terms of time and costs. The data collection process was limited to three months, including all the processes such as getting the research permit and organizing the logistics of meeting informants. All these activities had to be taken prior the actual data collection, which consumed a relatively long time. In addition, the study had to be conducted within the limited amount of funds I received for that purpose. So, my activities were planned in relation with the time and funds I had. I

chose to conduct my study in Ilala municipality, Dar es Salaam, the place where I live, to avoid travelling time and expenses to upcountry, as well as preparing for all the necessary logistics prior data gathering activity. If I chose to travel to another place, there would have been extra costs for transport, hotel accommodation, meals etc.

### **Sampling procedures**

In this study, the sample was selected from a population of loan takers who operate in group loan systems of the microfinance services. According to Stewart et al (2007:51) it is important to consider aspects of willingness and ability of members who are invited to participate in focus group discussions so as to acquire the desired information. In addition, these people should be the representatives of the population of interest. In this way, sampling was purposely made, to select the qualifying microfinance institution to be involved in the study, as mentioned earlier. Further, to include people from loan groups who were ready and willing to participate in discussion sessions.

On the other hand, the study involved random sampling of one group from the micro enterprise committee which was there for the day I planned to visit the microfinance institution. Due to late coming of some members, it was any group which was ready in submission of its weekly repayment and had all its members present, which was allowed to come in for the discussions. These volunteered to participate in discussions by their own will, however, through the help of the microfinance officials and the branch manager.

### **Sample size and composition of the group**

This study involved four different groups. Three of the groups were the pre-existing ones, the enterprise groups (EGs) in loan service operations with five members each. Such groups are formed by loan takers before they apply for loans based on inter personal relationships among themselves. The rationale behind having such groups of informants was to gain an insight on the role played by close bonds, networks and relationships among people to create and operate groups in microfinance settings. Moreover, to enhance a similar ground of thought in enhancing a fruitful flow of discussion based on the fact that the respondents belong to the same group, something

which makes them to have a certain degree of commonality. According to Stewart et al (2007:51), group composition matters for the sake of enhancing quality discussion which is to be brought about by interaction among the particular set of participants who are brought together. This connects with Barbour's argument that a fruitful discussion is facilitated with group members who share at least one important characteristic. So focus groups should be homogeneous in terms of background, in order to capitalise on people's shared experiences (Kitzinger 1995; Barbour 2010). Further, Morgan (1996:143-144) emphasises on sampling strategies which he terms as "segmentation" to create groups that include specific categories of participants so as to facilitate a free-flowing discussion.

The selection of such group compositions was further purposely made to enhance more time and chance for the participants to discuss their views and experiences on issues which they all are highly involved. Also, bringing in people who have prior relations is a way of winning their willingness to participate in discussion sessions. In connection with this argument, various authors maintains that focus groups are sociable events which must provide an attractive medium for public participation in the research process (Bloor, Frankland et al. 2001:13; Marková, Linell et al. 2007). If people are made to meet total strangers in the discussion they might lose interest of participating, or even the discussion might be boring. Sudman (2009) contends that, social contexts of group participants create premises for the interaction, which can either enable or constrain discussion. So, there is an added advantage of recruiting group members with a history, being socially related in their normal life situations.

Additionally, in group discussions involving pre-existing groups, there is an advantage of participants to bring in the interaction the comments about shared experiences and events which may stimulate discussions (Bloor, Frankland et al. 2001:22). In this way, such groups were considered to have an advantage of enhancing fruitful discussion among group members based on the opportunities and constraints they face in operating as a group. This is based on their historical existence as a group, reflecting upon their previous stories and how they could deal with problematic situations.

The fourth group constituted of ten representatives from all the groups of the market enterprise committee (MEC) which were on session on that particular day. The

rationale behind having this kind of a group was to have people who were relatively not close as they are in enterprise groups. The microfinance institutions hold the market enterprise committee members responsible for each other's loans, despite the primary responsibility they have on their self-selected enterprise groups. So, having such a group was in order to explore about how the situation is, the opportunities and challenges encountered, when people have to organize themselves beyond those small groups. This turned out to be a large group due to overbooking of the respondents. I decided to do so worrying that some of the group members would be absent and cause the risk of having few respondents. To my surprise, all groups turned up on that day, and so I had all ten representatives. However, this was not a disadvantage for me. I could prove the fact that, large groups can serve the purpose of containing a wider range of potential responses (Morgan 1996). There was a live discussion which revealed the differences lying between individual groups, in the way they form and organize themselves.

Moreover, this kind of group may be considered as a group of strangers when considering the strength of the ties holding them, which are relatively weak as compared to those existing groups of five. These representatives were chosen to form a group discussion so as to get a diverse point of view from people who are not very close, but holding responsibilities to each other when it comes to loan accessing and repayment. These forms of groups have the advantage of speaking more freely and openly, exemplified as "the sense of confessing all to the stranger on the train". This confession is free from worrying about the outcome after the group session is over (Bloor, Frankland et al. 2001:24). Moreover, people from diverse groups have the advantage of maximizing exploration of different perspectives within a group setting (Kitzinger 1995). During the discussion, everyone was talking about the experience in his/her group, of which no other member was there than the representative. It was a room they could disclose their emotions about the whole issue of operating as groups in loan taking and repaying, the tensions and stresses they encounter in being responsible for all groups in the market enterprise committee (MEC).

Different authors suggest a relatively different number of participants in focus group discussions. This however, depends on the type of the study and the kind of information expected to be generated. The general range varies from the minimum of

three to the maximum of twelve respondents (Morgan 1996; Bloor, Frankland et al. 2001; Stewart, Shamdasani et al. 2007; Barbour 2010). However, “there is no magic number and more (or less I add) is not necessarily better” (Barbour 2010:59). As mentioned above, discussions involved three groups of five each and one group of ten representatives from each enterprise group (a group of five). Groups of five were just picked as one of the enterprise groups (EGs) from those who were present and interested. There was nothing to adjust as far as the number was concerned. However, this number was convenient for me as there was observed good participation in discussions. According to Bloor et al (2001), the size of the group is determined by logistics issues such as sufficient space to accommodate the required number of people in a comfortable way. Participants must be seated close enough to hear and see each other while enhancing necessary movements if any. This was taken care of, as will be discussed in the next sub-heading, and therefore there was smooth group operation both with small and large groups.

Lastly but not least, group members had a varying age, at the range of 26 to 68 years. This was a big difference. However, in accordance to the nature of my study, age did not matter in recruiting respondents, as at the end of the day, the responsibility of forming groups; authorisation of loans and repayments is equally shared irrespective of age. In the same way, gender was not considered even though the number of women outweighed men in all groups. However, a lot of gender issues turned out during the discussions and thus I decided to write a separate analytical chapter on gender.

### **Location and time**

The discussion sessions took place at the microfinance institution, the day the respondents came for their weekly repayments. I was provided with a room which was an office for the field loan officers. This was a place which the informants was used to, as they had to come there every week for loan repayment sessions. They have further chosen to participate in this microfinance office branch which is close to their residency, as the regulation for the institution is to accommodate clients within five kilometres from the office.

According to Shamdasani et al (2007), locations have an influence on the dynamics of groups' interactions and discussions. Participants will be more likely to take part when sessions are conducted closer to their homes, places of work etc. This was convenient both for me and the respondents. On my side, there was a great reduction of no show participants as they had to be there on that day. This enhanced a hundred per cent attendance. On the other side however, I had to travel to that institution, which was about ten kilometres from my residence, even though it was the same district I live in. This place also is famous for having serious traffic problems throughout the day, particularly during the peak hours, early in the morning and in the evening when people are going to work or school. Even though, with determination, I managed to reach there in good time to conduct the sessions. However, sometimes I was late due to serious traffic jams, but the good thing was that whenever I reached at the institution, the leaders just appointed a group for me and the session continued. This was facilitated to the fact that there are five or more market enterprise committees (MECs) which meet daily for weekly repayment at the microfinance institution. This starts from eight in the morning and sometimes up to four in the evening.

On the side of the respondents, this was an advantage for them as they did not need to plan another meeting day which would in a way interfere with their efforts of chasing their weekly repayments. Neither did they have to plan for another journey for the session, which would incur extra costs in terms of money for transport and time. In this way, considerations were made in relation to the role of interview venue to the mobility of the participants as well as the flexibility of their schedules (Morgan 1996).

Again, as mentioned before, the room I was provided with for conducting focus group discussion sessions was an office, with computers, office cabinets, few chairs etc. just to cover the demands of the user(s). There was then a necessity of turning it into an area which would be convenient for conducting focus group discussions. I rearranged the room in a circular form, with a table at the center so that everyone could hear and see each other during the discussion. Luckily, the office had a power generator to substitute to the power rationing which was so serious in the country by that time. In this way, I was able to shut all the windows and use the air conditioning to cool the room temperature which was more than 30 degrees Celsius. Moreover, closing the



windows was a good choice as the office was located by the side of the main road, and close to the bus terminal. We could hardly hear each other with continuous cars passing by as well as noises from users of public transport and small vendors.

As mentioned previously, the institution I focused during my study is the most popular in Tanzania. For this case, many researchers visit its different branches to collect data in microfinance-oriented studies. The leaders of the institution have then set the maximum time for any kind of interview session to carry not more than one hour, with a fixed amount of payments to each participant, otherwise it should be an agreement with the respondents themselves. This time was not possible to be met in during my sessions. Most of them ranged from one and a half to two hours. I don't believe that I had too much to ask, but rather, the respondents had too much to say upon the few topics presented for the discussion. As a result, they hardly noticed how fast time went before I had to summarise and close the session. However, in a way, incentives played a role to keep them calm throughout the discussion as elaborated hereunder.

### **Incentives**

The respondents of this study were small entrepreneurs who were taking group loans of relatively small amounts. These were working on daily basis to make sure that they have the money for their weekly repayments, at the same time make their living. Taking even some minutes of their time means taking away the amount of money they could raise at that particular time. As Israel and Hay (2006) maintains, in doing any study, it is important to observe research ethics which are basically aimed at avoiding harm and doing good to all the beneficiaries and stakeholders of the research, including the respondents. It was a favour to me, for the respondents to leave behind their productive activities so as to participate in group discussions. In appreciation, I arranged for a fixed amount of money, which every participant got after the session. This was relatively higher than what they are used to be given by previous interviewers, according to the amount fixed by the institution. As a result, they were very pleased and did not count the day as wasted. Others would jokingly comment that they will just go home and relax for the rest of the day, as the amount was worthy being the per day income. Moreover, I arranged for soft drinks and mineral water which was served during the discussion sessions.

However, to my surprise, the branch manager refused my offer (incentive) and he said that he was doing his job and his religious belief does not allow him to take any incentives for doing an extra job. I was not bribing him however, as I was done with my data collection activity. Other loan officers who played as gate keepers were also rewarded for a good job they did for me. The amount was relatively higher than what I gave to the respondents.

### **Gate keepers**

Even though I was familiar with the place which my data collection was conducted, I did not know anyone from the institution, neither from the clients before starting the process. Then, after establishing the institution branch of my interest, I had to find a way to get myself into that institution so as to accomplish my interest. In approaching potential respondents for any study, it is much advisable to seek some assistance from people who are more close to the intended informants. These are famously identified as 'gate keepers', who plays a big role of opening a door for the researcher to the data providers. Gate keepers have a potentiality of identifying the most appropriate and qualifying informants who suits best with the considerations provided by the researcher. Moreover, being close and familiar with the intended informants, they can easier get a 'yes' or 'no' which is more reliable. So this reduces the problem of not showing up of participants. So I had to approach several people, who I believed will help me get my way through, in the bureaucratic system of the institution; otherwise I would waste a lot of time. However, things did not happen so smooth, and the reason behind was relying on one of the gatekeepers I came across in with in the process.

I was introduced to this person by a friend, who was a client at the institution of my study some years back. This person was supposed to help me follow the necessary procedures required before I could be permitted to conduct my group sessions. However, this person misguided me, by making me write a letter which was only a small part of the requirements. I was told to wait and that this person would call me to give me the feedback, and that it was very easy.

I stayed home for about four days without getting any response, and every time I called or sent him a text message, I was told that the process is almost done, something which did not happen. For one or another reason which I did not know, this

person finally introduced me to the branch manager, who in a sense was the right person I should have started with. This was more than two weeks later, where I had to write another letter and attach with my tentative questions as well as the proposal. The letter had to be sent to the headquarters to be authorised by a person who was not in the office for about a week. However, at the end I got the permission, and the branch manager assisted me so well that I could move to my own pace without obstacles. However, I still appreciated the initiatives made by the first gate keeper, because at the end, they got me where I wanted.

### **Ethical considerations**

Ethical consideration in doing research is highly valued as it promotes the integrity of research. Moreover, ethical behavior helps to protect others, minimizing harm and increasing the sum of good (Israel and Hay 2006). In conducting this study, reasonable attention was given to ensure ethic consideration throughout the data collection and thesis writing. First of all, anonymity was highly observed throughout the study. In doing this, names of the group participants in the discussion were not disclosed, neither the name of the institution involved in the study. Groups were given letters A, B, C and D; even though they have their operational names in the institution they participate in. Anonymity was observed in order to protect the informants as well as the reputation of the microfinance institution based on the findings.

Moreover, in ensuring trust to the informants, they were provided with necessary preliminary information before the discussion sessions, and were also given chance to ask questions in case of any doubt or clarification. I explained to them the purely academic nature of my study, and that it has nothing to do with spying them so that the information can be used against them in the future. Together with this, informants were asked to give their consents to be involved in the study by giving their signatures. This also included the consent to record their voices by the researcher.

Lastly but not least, all procedures were followed before the actual data collection. These were such as to obtain a letter of introduction from my supervisor, also from the Institute of Social work back in Dar es salaam, Tanzania. Moreover, I applied for the research permit from COSTECH Tanzania, which is the Commission for Science and Technology. After that, I wrote an application letter to the microfinance

institution for doing my data collection and it was the microfinance officials who appointed the respondents for me, based on my interests and choice.

### **Conducting the focus group discussion sessions**

Before every focus group discussion session, we started with rapport building, by introduction. I started by explaining briefly about my study and its purpose, being purely academic. The informed consent was then signed by each of the informants. I took the original copy leaving the duplicate to the participants. This was important as it was the microfinance officials who appointed them to me (following my preference though), and so I needed to be sure of their willingness to participate (Bloor, Frankland et al. 2001). Then, everyone mentioned his/her name and age. For the part of the respondents, there was an addition of mentioning the time one has been a client of the microfinance institution, the kind of business one is involved in and where it is, not letting alone the current loan size.

For me, apart from such information being important in analysis in the future, the exercise was also important for opening up, releasing tensions brought about the feeling of being with a stranger, as well as creating readiness for people to talk out. According to Kitzinger (1995:301), focus group discussion sessions should be relaxed, which in addition to comfortable setting and refreshments, friendly environment with the researcher plays a significant role as well.

During the sessions, an issue to be discussed was presented, where group members responded by upon it, giving their views and concerns. Sometimes there was simultaneous talking among the members especially when they were disagreeing upon an issue, or reacting on something mentioned by one of the participants. I had to interfere sometimes when the discussion was heading contrary to an issue at hand, to keep it more focused so that participants would not lose objectivity. There were moments of laughter and sadness as people were talking about their good and bad experiences as loan members in groups.

However, before actual discussion sessions, I conducted one session to test the quality of my guiding questions for the discussion, their clarity and relevance response from the respondents. In this way, I could edit those questions which were complicated to

make them easier to understand by the participants and enhance fruitful discussions. I could also rearrange which question should be posed first and which later.

### **Data recording and processing**

I had both the note book and a tape recorder to store all the information from the discussion sessions. The tape recorder was always placed at the center so as to catch up with the voices of everyone in the room. It was switched on from the introduction time until when we were finished with distribution of 'thick envelopes' to all the respondents. Respondents were informed beforehand on the purpose of recording their voices for enhancing maximum reminder for me about what was discussed afterwards.

After every session I went back to the material collected, listening back to the tape recorder and comparing with the information in my note book. From there I could evaluate and decide what points to stress during the next session and any other necessary arrangements.

The discussion sessions were made and recorded in Swahili. Afterwards, they were put into writings in Swahili before translating them to English. This was a difficult and boring part. However, I tried my best to keep the content in translating. It must be understood that I speak my mother tongue, the language I adopted since I started talking. Then, during my first years of primary education, I had to learn Swahili, the national language which unites about 120 different language speakers in Tanzania. Going further to school forced me to learn English as an academic language. About three years ago, in addition I had to learn Norwegian as one of my scholarship demands. At the end of the day, I find myself incomplete to some extent in every additional language I adopt apart from my mother tongue. So, it was sometimes very difficult for me to think of a substitute English word to a Swahili one during the translation process.

### **Data analysis and interpretation**

From the processed data, themes for analysis were obtained, by continuous reading back and forth to get the meaning of the literal content raised by respondents. This was through the developed coding system I made through my own understanding of

the information at hand. As different authors contend, analysis in qualitative research is always subjective depending on the background of the researcher (Barbour 2010). So, I believe that my social and academic background played a role in determining what was important to be brought up in the analysis chapters. The processed information was then written in a monographic form, to include the quotations on what actually the informants said followed by my interpretation.

I also decided to combine the ideas from informants in one paragraph so as to enhance understanding and continuity of flow of ideas. Due to this, the dialogue part of data presentation was to some extent not popular.

## CHAPTER FOUR

### PEOPLE'S ACTIONS TOWARDS THE SET STRUCTURE OF THE MICROFINANCE INSTITUTION

#### **Introduction**

The structure of the microfinance institutions plays a big role in influencing loan takers' behaviour. The institution sets the rule of the game, whereby borrowers are active players, who have to adjust so as to fit to the demands set by these institutions in different ways, as they participate in group loan schemes. In their efforts to benefit from the provided microfinance services, people take various strategic actions. This will be the focus of this chapter, the critical analysis on what do people do to get in and stay in these structures of the microfinance services. This is basically the answer to my research question. To make my discussion clear, I will categorize it into three major parts. These will be people's actions when forming groups, in making groups work, and lastly in dealing with the challenges arising from operating as a group.

#### **People's actions in forming groups**

Group formation is a critical stage in making microfinance services work for the loan takers. Once a group is formed, it is expected to function in unity throughout loan circles for all five members. The whole group is denied with loans if only one or more member drops out. In avoiding dropping out of their members in the future, people take different considerations prior or during group formation. These revolves around creation and maintenance of trust through information sharing, tracing individual's background, and considering the geographical location, as will be discussed later.

Before a person is accepted to join a group, he or she should first win the acceptance of the rest of the members in a group, as one of the focus group discussion revealed.

*Firstly, a person must be acceptable by all group members for the purpose of collateral issues. If the person is not acceptable it is difficult to ensure our social collateral. And in order to accept the person the person must be well known by some or all group members (FGD: Group D, 08.09.2011).*

Holding people responsible for one another, mentioned above as ‘social collateral’, influences their choice of who should be included in a group and who should be left out. In community work, this can be regarded as a bottom-up approach to participation, whereby people are given the mandatory of selecting members in their group with their own preferences. They have the power to accept or reject a person in their group.

On the other hand however, this form of participation can be regarded as top-down as people are responding to the set agenda of the microfinance schemes otherwise they won’t be eligible for accessing loans. So, creating a group is both influenced by both top-down and bottom-up conditions for participation. That is to say, to access loans, people must be in groups of five and possessing a business enterprise. This is not enough though for the group members to include a person in their group, rather they have their own standards for choice such as trust and acceptance in this case. But how does one win that acceptance from other members? Acceptability comes from trustworthy as mentioned in another group interview:

*In establishing a group, the most important thing we try to look at is the humanity of a person especially if a person is trustworthy, because it is not possible to be a loan member in this loan scheme if you are not faithful. Unfaithfulness leads to repayment problems. So it is very important to know who actually you are forming a group with. For me for example I consider those people who are not likely to be stubborn in future (FGD: Group A, 18.08.2011).*

As the group participants highlighted, trusting a person is based on his or her faithfulness and humanity. In this way, a person must present him/herself with the potentiality of possessing such qualities so as to be accepted in a group. According to Goffman (1969), people present themselves in different ways so as to achieve some advantages. This also shows how agency is strategic, to enhance a person to achieve what he or she wants.

In line with this observation, Tesoriero points out that, in order to belong to a group, an individual must be accepted by others and be loyal to the aims of the group concerned (Tesoriero 2010:96). Loan takers need each other, through mutual assistance and commitment, to reciprocate in a balanced manner so that all can



benefit. People then will be ready to trust a person who guarantee for the needed loyalty in the future group operation. But what are the grounds for trusting a person enough to be accepted in a group? In forming groups, people set the basis for trusting a person, as this cannot just happen. This was the response from loan takers as they set grounds for trust:

*...This is easy as we live in the same street, so information about an individual cannot be a secret, especially the problematic behavior, people will always talk about it. The other thing is if that person has a permanent residency. If it is a rented place, then there must be some of her family members which I know. So I know if I don't find her at her place I can find her to her relatives. In general I can say that to establish a group it needs knowing each other so well enough to trust ...This means that if there is a problem even the person and a husband may flee, we can get hold of them through these other relatives. This is because some of us are living in rented places. So a person might arrange for fleeing with her husband after taking the loan, but it is not easy for all the others to flee in the same day, that is not possible (FGD: Group A, 18.08.2011).*

The above paragraph highlights the necessity of information sharing in establishing grounds for trusting a prospective group member, which will be analysed deeper in the next sub title. Being responsible for each other in future influences people's choice, to avoid the so called problematic people in their groups, who are likely to flee when they have received the loan. Talking about fleeing of some members before settling their loan repayments, this is partly by due to the influences brought about by urbanization and modernization processes which were deeply discussed in the theoretical chapter. Due to these aspects, many of the rural poor have migrated in urban areas to seek for employment opportunities, among which establishing small business enterprises. However, due to high rate of migration, there is a result of poor social systems such as housing to accommodate an ever increasing migrating people. In Dar es Salaam city for example, there are several areas with slums, where most of the urban poor rent single rooms in a shared big house or poor and populated apartments. In such areas, there is a high possibility of moving from one house to another depending on the current interests of tenants. These slum houses are cheap and do not have strict contracts, whereby people are free to move in and out as they

please. In this way, people may be strategic to take loans from one institution to another and running away to rent a room somewhere else where it is difficult for people to trace the person. Getting hold of some family members and relatives of the group member then acts as a possibility of tracing a person in future if he or she runs away.

### **Information sharing**

People communicate and share information before they approach or accept a person into their group. This is how it happens.

*After I heard about this institution, I wanted to join, but the institution demand that you have to be in a group of five. So I started to find those people I know, and have reliable business enterprises. I convinced them regarding the advantages I got for those six years I was a member in Mwanza (one of the regions in Tanzania) as I said before. Fortunately they were impressed and it was like that until we reached a required number of five. We therefore came here to register our group (FGD: Group B, 25.08.2011).*

Microfinance operational settings demand for information sharing, implicitly by holding all group members responsible for each other's loan. The above quotation shows that people join their efforts to form groups after they have heard or read about the institution. They further talk to each other to win the interest of those who are willing to join the group. According to Freire (1996), before people join their efforts for change they must first be able to communicate. In community work, communication is considered as a necessity for community building, which is also a ground for community organization for change (Minkler 2005). Communication or dialogue enhances people to provide information they have about one another so as to be in a better place to choose the most acceptable people in forming their groups. Through communication, people are able to mobilize themselves to grab the opportunities created by microfinance services. There is also an aspect of being known by those whom a person is likely to form a group with. As mentioned in the above quotation, a person started by finding those people she knew well so as to form a group. In this way, existing social networks such as friendship, neighbourhood, particular group membership, and so forth, are useful in establishing groups. These bonds are starting points in group formation which can guarantee productive future

coordination. According to Ledwith and Campling (2005:111) personal connections should not be underestimated because they are important networks in connecting people in community and sustain them in solidarity actions they have to take.

On the other hand though, people who in one way or another do not have access to such information about microfinance services can be left behind in participating. As mentioned previously, microfinance services in Tanzania are said to be highly concentrated in urban and sub urban areas, with convenient infrastructure, leaving behind the rural poor who are the majority (Wangwe, es Salaam et al. 2004). It might not be a surprise that these rural poor do not know anything about microfinance and microcredit services. In this way, their agency is limited due to their lack of information and access for these services. As Cornwall (2008) points out, the form of which people are invited to participate can both create a room for some to participate, while closing doors for others, as it is with rural poor in this case. Moreover, there is an issue of 'who knows who' in forming groups. If a person is not known by people who are informed about microfinance services as well as willing to participate, he or she cannot be allowed in a group, though interested.

In forming a group, however, it is not necessarily that a person has to know well all the members, as it was indicated further in one of the group discussions.

*For the three of us here we know well each other and we are together in many cases. So one found one more person and the other found another one, of which they found to be trustworthy (FGD: Group C, 31.08.2011).*

People are joined by either being friends or being a friend of a friend, something which creates networks for trustworthy. As Dominelli (2002) also maintains, people are always willing to join a group from which they know someone who belongs to that particular group. In this way, people form groups through the existing close ties among themselves. Again, those who are not lucky enough to have any connection with those who are able to link them with the institution are left out.

### **Tracing the background of an individual**

In line with sharing information, finding about the background of a prospective group member is also vital. In group B's discussion it was said in this way;

*In order to avoid inconveniences, it is important to know where your fellow resides, the kind of business she/he is engaged in and the business area of that person. If married we also seek to know if the husband was involved and accepted that the wife can take a loan. We visit each other's home so as to get to know each other... (FGD: Group B, 25.08.2011).*

Trusting an individual has a lot to do with knowing his or her whereabouts as well as the reputation of that particular person. As indicated in the above quotation, there is a great possibility of fooling each other. Some people may be strategic to take loans and run away leaving their fellow a burden of paying back the borrowed money. Though people might be poor, they might not necessarily equally see the importance of being trustworthy for the benefit of all group members and others who might need to join in the future to access the recycled money through group lending schemes. Likewise, they might hold different motives behind their participation in group loans, apart from those expected by the fellow members. As pointed out in the theoretical chapter, people's actions and behaviours are influenced by many different factors, and so it is not easy to tell beforehand as to why in particular a person acted the way he or she acted. According to Day (2006), people can be joined together by circumstances or choice. It is not always right, however, to assume that the congregation of similar people together, whose social situation is similar in a broad range, makes it likely that they will react to circumstances and events in similar ways and find some common cause together. People, as a result, take all the necessary precautions beforehand to ensure that things remain in order throughout the loan cycles. Having a responsibility over each other's loan, group members create mechanisms to make sure that the fellow member is committed to the group to the extent of letting also the family and friends know about it.

Tracing an individual's background has also a lot to do with the reputation of a potential group member. Through the existing social structures of neighbourhood and friendship, people can easily get to know about an individual's reputation. This plays a big role in accepting or rejecting a person in a group. As they said during one of the group discussion sessions;

*...For example at my business area there are many people who want to come and join here but (sigh), I know the behavior of some of them and thus I don't*

*want to associate with them because they have made a lot of dramas somewhere else. Even if you go outside this building, under the tree there, you will find them there, waiting for people, and asking for you if you can help them get in this institution. That is very difficult because you don't know those people, if they run away with the money you don't even know where to start from so as to get them. And people like these, even when you ask them to take you where they live, they take you to a wrong place or somewhere very far to the extent that it seems difficult for making any follow ups if you need to. Sometimes they take you to a wrong place and prepare the environment with agreement with those who live there, while he/she does not actually live there (FGD: Group D,08.09.2011).*

Similarly, another group added:

*There are many people who want to join this institution. The problem is that even if some of them are my neighbours, I have heard about their bad reputation in other loan institutions. There was someone who wanted to join our group, but as we made follow up on her background we were told that she had problems with another institution sometimes ago and they had to cease her belongings to compensate for the loan she took. We don't want such a person in our group because she might put us into similar problems (FGD: Group A, 18.08.2011).*

As indicated previously, people do all it takes to find the basis for trusting a person. Their interest is to make loan services help them in addressing their poverty situation. There are other poor people who are trying to temper with this opportunity so as to find a short way for the solution without being ready to take the responsibility accompanied with this opportunity. In Tanzania, there are many different institutions providing microfinance services. These include banks, member based organizations, NGOs, public sector institutions etc. (Wangwe and Lwakatare 2004). People are then able to move from one institution to another after messing up in the previous one, as indicated in the above quotation from the informants. These people are screened out in the process of group formation. The screening process then involves accepting and rejecting some people in the group, as the information above indicates. In this way, group creation can on the other hand put people in the risk of getting enemies due to

the full mandatory they have in selecting peer group members. Existing neighbourhood relations which can be shaken or turn people into enemies, especially those who may be rejected in a group for some reasons. So, in exercising agency, people can both create good and bad relations simultaneously with each other, as they aim at pursuing their ends.

However, this screening method does not always work out in enhancing security for the group future operation. Take an example of the following information from one of the focus group discussions:

*...First it is those fellow group members who we take as primary collateral to that person. Secondly it is the representatives from each group. These are the ones who visit the business and bring information and evaluation to the MEC (market enterprise committee). If they feel that the concerned person can be provided with the applied loan and has the capability of repaying back they bring all the information and present to our weekly meeting and afterwards a person can get the loan. The problem comes (here in town we call it MTITI – meaning disaster), when the person runs away. Those who visited her deny if they have ever done so, the fellow group members disintegrate with everyone coming with a different story and we end up with no other solution than repaying for that person (FGD: Group B, 25.08.2011).*

There is a possibility of finding some groups of bad people in the aggregate of ten groups of five which makes the market enterprise community. People who are not willing to disclose information about the fleeing members so that follow up to recover the loans taken can be made. Such people cause problem to the others as is said above, to repay for the remaining loan amount. As mentioned in the theoretical chapter, people's actions can sometimes be complex to predict due to drives behind them, which are not known by others except the concerned person and those he or she may decide to tell. In this way, letting people to have the freedom to form their own groups by their autonomous choices can be problematic. People who are good are most likely to form their good group while the delinquent ones can also form their own groups (Johnson and Rogaly 1997; Jaffer 1999). Combining them together adds a burden to the good group of endless compensation to the bad ones. In such a situation, we can see the complex nature of agency, particularly in group settings. However, it is

from these structural situations loan takers are expected to make them friendly and positive enough to enable them to reach their intended goals.

### **Geographical and functional consideration in forming groups**

Sharing information and tracing individuals' background depend much on the geographical distance as well as the ties and bonds between group members. In the geographical aspect, this is what the group members came up with:

*...you know, having a person in your group involves visiting his or her business area, collecting his or her weekly repayments in times of problems and other such things...and for me, this is a problem as we cannot be going around the whole city just because of the loan. We don't have time for that as it might take so long, as you know the problem of transport here in Dar es Salaam... (FGD: Group C, 31.08.2011).*

Loan groups can be an example of functional groups in community work, which are formed purposely for accomplishment of a particular task, which in this case is poverty alleviation (Twelvetrees 1991). Being in a group creates responsibility for one another. The closer the members are, the easier the coordination and cooperation. Locality then matters before people can establish a group (Tesoriero 2010). In creating groups, loan takers take the future consideration of accessibility of a group member when the problems arise, if they want to make a follow up of any kind. It should be easy for them to reach the concerned person. This is also for the purpose of enhancing smooth coordination. Distance between members is an important consideration as it reduces monitoring costs for them, while enhances fast flow of information, if it is short enough. This has also something to do with reputation of the borrower as far as distance between group members is concerned (Karlan 2004). If group members live far from one another, it is easy for a person to do something which can affect the group performance without being noticed by others from the group, such as misusing the loan for luxurious purposes and default afterwards. As a result, there is a consideration of neighbourhood in creating groups.

On the other hand, however, in creating their groups, it is sometimes difficult to get all people residing in the same vicinity. In discussing further on the mechanisms they use to create groups, loan takers said:

*No. it is not always that all of us must live in the same area. For example in my group, we are close friends but we do not live in the same area. I have to take a bus to reach some of my fellow's places. But we have been friends due to the fact that we are doing similar kind of business. We are all travelling upcountry to bring food crops which we are selling here. And it was from meeting each other often during our travel where we got to know each other. Through talking there was one of us who initiated the idea of forming a group for improving our business capital through loans. We started slowly, and here we are, just like sisters now (FGD: Group D, 08.09.2011).*

Sometimes people might be living in a relatively distant place from each other, but they can still be good companion to make a group. The microfinance institution I focused in my study operates within five kilometres area from where it is located. This might be a long distance if a person has to go for follow up purposes before establishing a group or authorizing loan. Further, Day (2006) and Tesoriero (2010) maintain that, in urban and sub urban areas, people relate in structures substantially removed from their local community, with poor interactions among the people. People spend little time in their neighbourhood due to long working days away from their residence. In situations like these, there is a formation of functional communities, based on groups of people with specific characteristics, such as business entrepreneurs in this case. The most important thing in being loan takers on group basis is to be sure that there is a hundred per cent weekly repayment. So if people have mechanisms to organise themselves for ensuring their weekly repayments it is not that much important to be living very close to each other. However, then physical proximity at the place of work is crucial to enhance cooperation.

Further, communication or 'dialogue' as Freire (1996) contends plays an important role in influencing peoples motive to act. This is through the emerging issues when people exchange their words. As seen in the formation of the above group, the members got to know each other in their business trips. As they were more familiar with each other, they started talking about their concerns, where the issue of forming their group to access loans came up. This is what is termed as critical consciousness, where people question about their reality and act to make positive changes to fit with their needs (Freire 1996; Ledwith and Campling 2005).



After exploring on people's actions in forming groups, the next discussion will focus on what happens when those groups are formed and registered as clients of microfinance institutions.

### **People's actions in making the groups work**

In order to continue to access loans the established groups must remain together throughout the loan cycles. Active participation for all the five members is vital if any of the members has to be provided with the loan. The drop out of one or several members can lead to denial of accessing loans. In making sure that groups works out as the institution demands, group members take initiatives to coordinate for repayment purposes, create norms and peer pressure, create and strengthen social capital in various ways as the following discussion illustrates.

### **Coordination of activities**

This is organised before the weekly meeting at the institution, so as to be sure about the attendance and that all members in a group have their repayments, or if there is any problem, members can get to solve it as early as possible. In order to make smooth group operation loan takers said:

*In our group, we start communicating earlier, at home. If someone has a problem we share it in a group and so we find a way out, if it is to top up a certain amount or the whole instalment. The important thing for us is to be open to each other rather than putting your fellows in problems. By the time we meet here, we are prepared and pay all the money as required. But expecting to settle everything here on the table is what brings trouble most of the time to many of the groups. This mechanism helps a lot, even though it is not always easy. That is why we think it is important to be in a group in which you understand each other and close enough to allow for smooth communication (FGD: Group B, 25.08,2011).*

It is everyone's responsibility in a group to make sure that the money is ready before they meet at the institute for payments. The microfinance institution demands for a hundred per cent weekly repayment, a condition which must be kept throughout the

loan cycles. Being responsible demands that one must take initiatives to communicate if there is a problem which may delay repayments as the other group pointed out:

*...all of us understand that every Friday everyone must repay the weekly loan repayments. That is everyone's responsibility. So if you have any problem, you give the money to a fellow so that she or he can pay for you. If you don't have the money, you report to your fellows so as to get assistance, otherwise it is a must to bring the repayments at the precise time (FGD: Group D, 08.09.2011).*

To make things much easier, they also use mobile phones to enhance effective and faster communication and coordination. This is an example of what they do;

*We have given each other's mobile numbers. These help much. We communicate from Tuesday. If a person has a problem or will not come, she is the first one to communicate to fellow group members, like if one of the members need to pick up his/her repayments on the way to the institution the next day, or if she or he needs to be assisted with part or all of the repayment, or if she will send it by any other means. So until the day comes we are all ready (FGD: Group B, 25.08.2011).*

*In fact in our group we are doing the best we can, even when it is necessary to use m-pesa (money transfer through mobile phones) (FGD: Group C, 31.08.2011).*

Being entrepreneurs, most of the loan takers have long working days outside their homes. As a result, both the geographical and functional considerations in making their groups may sometimes not ease coordination activities. People then find alternatives to make the activity easier so that it will not be a burden to them. As for example using new technology provides avenues for group coordination which did not exist until recently. If this works out well, then geographical considerations might not be as much of an issue. The system can now function in a larger geography. In this way, modernization has positively facilitated people's capacity to participate in group loan schemes. Being agentic, group members create mechanisms to enhance easier coordination by studying the possibilities available in the environment.

On the other hand however, this form of participation may be problematic particularly to those who have limited access in sophisticated ways of communication, such as mobile phones in this case. Considering the poverty situation in Tanzania, it is only a few part of the population who can afford to own and use mobile phones effectively. There are additional costs to affording to buy it, such as recharging credit for being able to use it. Further, it is not all people who have electricity in their residences. These have to pay for power recharging services, which has become a popular business particularly in slum areas of the big cities in Tanzania. Further, the network coverage of these mobile phone companies is limited only to some parts of the country not everywhere. These, among many other limitations may act as a barrier or burden for people participating in loan groups in this form.

In community work, getting people to participate demands an evaluation of the conditions which determine who is included or excluded, as well as those who choose to exclude themselves. This was also mentioned in the theoretical chapter, the nature of participation process, as a determinant for agency, can serve to deepen the exclusion of particular groups of people (Cornwall 2008). This is in addition to other demands from the set structure of the microfinance institution, such as the weekly attendance.

### **Creation of norms and peer pressure**

Group loan form of microfinance services are highly dependent on peer pressure to enhance high repayment rates (Ghatak 1999; Jaffer 1999). In ensuring that things go well throughout group operation, members take precautions by making follow up on individual members' business performance. This is what they do:

*When we see our fellow member starts to be weak in repaying the loan, we usually call him/her and ask what is really happening. This creates a kind of fear to that person and she/he come back to normal if at all there was no big issue behind. If we find it necessary we visit his/her business area to see how the business is performing and give any necessary advice (FGD: Group C, 31.08.2011).*

It is usually said that 'prevention is better than cure'. The same line of thought applies in preserving the group to enhance its long lasting, as well as avoiding falling into the

trap of repaying for the defaulting member through peer pressure. This pressure may act as a way of motivating an individual member to concentrate more and do whatever it takes so as to keep the repayment routine. In community work, this can exemplify the task-oriented form of the group, where by members help each other to achieve the intended common goal (Tesoriero 2010:285). However, such kind of peer pressure has sometimes been criticised as it may lead to serious decisions such as committing suicide (Johnson and Rogaly 1997). This can be a short come which is overlooked when group lending depends highly on peer pressure to enhance a hundred per cent repayment rates. Through holding group members responsible for each other, they might exert excessive pressure to a group threatening member. This overdoing, which may be due to the ambitions people have and thus desperate to achieve their goals, may lead to negative impact decision making.

There are also norms which are created in the group to enhance smooth operation as well as making group participation comfortable and rewarding to the members. Loan takers' community supports each other both in good and bad times as they said;

*We have arrangements if a close member in our fellow's family dies, such as a husband or wife, parents or children. We participate during the mourning period to comfort our fellow as well as contributing a set amount of money which varies in accordance to how we see the situation. Everyone must contribute the decided amount at the right time... not only in bad times, but also if a person has an important celebration such as the child's wedding or the wedding of a family member who lives in the same house with our fellow group member, we join and offer our contribution and support as well (FGD: Group D, 08.09.2011).*

Though not written anywhere, these are operational norms of the groups, as they mean it is a must to contribute the agreed amount in supporting their fellow. May be they have a consideration that under normal circumstances, people must face both the celebration and mourning times. In this way it is rewarding if a person gets support from fellow loan takers in a group. In this case, loan takers have found the mechanism of helping their groups stay together as long as possible. This is by extending their relationships from being borrowers of the microfinance institutions to caring for each other and giving support both in good and bad times. This form of participation may

encourage a person to stay in a group, as Cornwall (2008) points out that, people will be ready to participate for what they get out of it. In this way also, agency is extended to include inter personal relationships as people respond to the structure of microfinance settings to improve their poverty situation. Moreover, critical consciousness, through modification of the social structure to meet the intentions of the loan takers has helped them to maintain their groups. As they do so, social capital is both created and strengthened as the analysis hereunder illustrates.

### **Creating and strengthening social capital**

Through group lending techniques, people simultaneously create and strengthen social capital. These are based on the previous existing relationships to create new ones. Through regular meetings, continuous interactions and working together, these relationships are strengthened making closer bonds among the concerned people.

Social capital refers to “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development” (Anderson, Locker et al. 2002:99). Further, social capital includes “features of social organizations such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit” (Silverman 2004:37). Through social capital, there is an increase in trust, reciprocity and civic engagement.

In urban settings, social capital stems from social relations, through which people can rely upon one another to uphold social norms and to reciprocate favours (Silverman 2004). According to Karlan (2004) group lending works out because individuals are able to select creditworthy peers, monitor the use of loan proceeds, and enforce repayment. This is through social capital, the linkages which can give the group members cohesiveness and its associated benefits. Microfinance operations encourage people to use the pre-existing social capital to enforce loan repayment, capitalizing on the community ties. A person will be ashamed of letting down her friend, who may in turn let her down when her time for loan application comes, or even they meet out in their neighbourhood and other social contexts. On the other hand, microfinance structure encourages the formation of social capital in poor communities and among poor entrepreneurs, through making them form their groups based on their social relations (Silverman 2004:38).

In creating and strengthening social capital, loan takers create market for their products as well as exchange knowledge as the discussion under shows.

### **Creation of networks and local market for their products**

As they meet on weekly basis, group participants buy and sell products among themselves, as they explained during the focus group discussion:

*Also meeting here is a good market for our products. We consider it as a market place where we can sell and buy things from each other. For example, outside there, there are our fellows who come with bites, soft drinks and other products which we buy after the meeting.*

*... All my fellows are buying soap from me. Whoever asks for my assistance I am always ready to help out, for example by giving him/her contacts of people from the places some of which are in remote villages. This is where I use to order raw materials from so as to make the kinds of soap I am selling (FGD: Group B, 25.08.2011).*

In making microfinance work for them within the set structures, loan takers maximize the opportunities which can be available or created in the operation. By so doing, people can be motivated to participate in such arrangements and keep their groups intact. It is so interesting how people could be so creative in pursuing their ends. There are at least five market enterprise committees, each with ten aggregates of groups of five, which meet daily at the institution. This is the total of two hundred and fifty people per day. If a person can be sure of selling some of his/her products every week or every day, it is then very rewarding to be in such a system. Moreover, people get connections to other partners who can be helpful in improving their business enterprises. In this case, loan groups can be regarded as self-help, mutual support and action groups which builds and expands social networks (social capital) and provides an opportunity for a personal mentor or group to support a personal development process (Bratch, Kingsbury et al. 1999). In the quotation above, for example, there is a member who gives contacts to the fellow about where they can find raw materials for making soap in a relatively reasonable price. It would have been more expensive if they bought from retailers in the city. This situation is an example of how agency can be experienced, by people maximizing opportunities surrounding them.

Moreover, people' participation in loan groups by assisting each other exemplifies collective action or solidarity in community work, whereby people are encouraged to join their efforts so as to make use of the provided assistance to positively influence change.

Loan takers go further by helping each other to find the market for their goods, apart from the weekly meeting market, so that at the end all have the money for weekly loan repayments. This is what they do:

*... For example if I find that my business is too slow I might visit my friend here in her business place to see what kind of market is good in that place. She might tell me to bring something to her place which is most likely to be sold quickly. So we help each other like that. Sometimes I might give her my products to help me sell them at her business place and in turn she may also give me some of her products which I can sell at my place if the market situation is better on one place than the other (FGD: Group C, 31.08.2011).*

In this way, doing business with each other while belonging to a loan group makes business easier and less stressful. It can be a good reason to keep people in groups if they want to realize the potential of microfinance services in improving their poverty situations.

However, on the other hand, this form of participation can be somehow problematic. If for example we consider a group of people with physical disabilities, who have movement difficulties, this form of weekly attendance may not be easy. With poor infrastructures as they are in Tanzania as well as lack of mobility assisting instruments, their engagement in such form of operation can be difficult or even impossible. This also may apply for women with small children at home, families with sick people to be taken care of and the old, just to mention a few. In reflecting to the theoretical framework of this study, agency can well be understood on how it can be constrained or promoted based on the nature of the system in which it has to be applied.

## **Educating each other**

In operating as a group, people make use of individual differences to benefit through learning from each other. The following quotation from a group discussion shows how they educate each other:

*...also we are exchanging experiences as far as business is concerned. For example trying to find out how others are succeeding in their business, this is having developmental jealousy. If for example I am doing a business which is not very much productive, through visiting others' business areas I may try to imitate them so that my business can also grow. But if you are alone, you don't have any competition or challenge, and sometimes you might be struggling too much with your business while others are easily doing theirs and succeeding (FGD: Group A, 18.08.2011).*

In addition, the other group pointed out that:

*... It is all about creativity. If for example you are selling ice cream, during rainy and cold seasons the business becomes very slow, so you need to think about another kind of business. Also you get to widen your thinking capacity as you meet with others, to know and imitate what your fellows are doing to succeed...(FGD: Group D, 08.09.2011)*

*...I am thankful to this microfinance institution because it has enabled me to improve my business. I am also not leaving behind my fellow group members especially for some who want to know the secret for my success... We are always asking each other about business progress, and if there is any problem we share it and advice each other (FGD: Group A, 18.08.2011).*

Freire (1996) maintains that liberating education is the type of knowledge transfer which address community needs. This is a type of education which must come from the understanding of the concerned community, reflecting on the barriers that impinge their liberation from oppression and thereafter make necessary actions. The community itself is responsible to identify an agenda for discussion which they find pressing and relevant in relation to their needs.



Loan takers practice this kind of education, though they said that they sometimes also get training sessions arranged by the institution. They educate each other both through telling and showing how things can be done in a better way. This is done in the premises of the microfinance institution during their weekly meeting for loan repayment purposes. To make sure that they all meet the demand for weekly loan repayments and avoid dwelling into continuous contribution for repaying for the defaulting members, loan takers share their experiences whenever necessary among themselves. The agenda for their education is how to make good business which can ensure securing more money after prompt loan repayment, and this is what they take as a background for sharing and exchanging their knowledge and experience in business matters.

### **Dealing with challenges**

No matter how well loan takers take all the necessary considerations to form and enhance smooth group operations, it is not always easy to have a clear way throughout the loan circles. They face many challenges of which they have to deal with within the framework of the microfinance operation structures as they explained:

*Mmh, I tell you my friend, human beings are so complicated. When a person joins a group to access loan, nobody knows the intentions of that particular person. We just believe what we can hear and see. Others are applying loans just to get the money for traditional dances and practices like weddings and circumcision. How on earth can such amount of money be repaid? (FGD: Group C, 31.08.2011)*

And the other proceeds:

*Yes...The challenge comes when for example you don't know if a person would run away after taking a big loan of like one million shillings (FGD: Group D, 08.09.2011).*

The most serious challenge facing the loan takers in groups is about loan repayments. Group members are not aware of the exact financial situation of their fellow borrowers or their willingness to repay. In this way they are taking a risk by agreeing to offer their guarantee (Smets and Bähre 2004). It is difficult to know what the other person think even if you are family members, neighbours, business partners or good

friends. This is concurrent with the fact raised in agency theory, that people's actions can be explained but not pre-determined. So, it is possible to explain the reason behind an action after it is done but not before hand. However, the main concern here is what do they do when problems arise? Loan takers discipline each other, confiscate valuable belongings of a defaulting member or sometimes take together the burden of paying the loan on behalf of the defaulter. These are analysed further below.

### **Disciplining non- conforming members in a group**

There are several disciplinary measures taken by loan takers for delinquent group members as they explained:

*If an issue arises, we normally talk about it on the spot during our weekly meeting. If there is for example a disturbing person in the group or a person has a problem we raise it up before the whole market enterprise group, the credit officer and our leaders. We then discuss about that person and the decision is made there (FGD: Group D, 08.09.2011).*

The above information it indicates the importance of the weekly meeting at the microfinance institution as used to settle out problems among group members. They are using the structure to fit with their ambitions. Weekly attendance is obligatory, as posed by the institution, and it is where all members are likely to meet. Such meetings then are used in many different ways, apart from disciplinary purposes, such as a market place as mentioned previously. However, this may be problematic if at all a problematic group member chooses not to attend, by knowing the possibility of being attacked by fellow members during the meeting.

In this group discussion they had a long story to tell about how they could deal with one of the disturbing member in their group:

*It also happened in our group where we had one stubborn person. But we agreed among ourselves that after finishing the loan she had, we are not going to sign her application form for the next loan. But one day we discussed among ourselves while she was not present and decided to call her and tell her the truth. Because she was getting problems, moving around with her form and every time she went to someone in the group we were giving excuses for not signing her form. She got confused. We decided to tell her about her*

*problems and the way she was stubborn every time we tried to advise her. We gave a condition that if she wanted to continue with our group she has to be ready to change, and she has to say it in front of the microfinance officials and other loan takers. If they accept her apology we will then allow her to remain in our group otherwise she must quit. All of us come with our individual behavior, but when we reach here we put them aside and follow what we are obliged to. Fortunately she apologised and at the end we kept her in our group, she is doing well and not disturbing us anymore (FGD: Group B, 25.08.2011).*

Giving the mandatory of authorizing each other's loan in a group, there is very little a disturbing person can do, if at all he or she is still interested with taking the loan in future. As indicated above there is a point where a disturbing member falls in the trap, and people use that moment to teach such people a lesson. There is always the price people must pay before they can enjoy the prize of an action or decision taken. Being loyal to the agreements of the group and taking responsibility is among the demands for participating in a group so that one can enjoy the loan services of the microfinance institution. Every member join in a group for that reason, despite the challenges accompanied with it. Knowing that, group members take this consideration as a measure to force a problematic person to adhere to the group rules and regulations as set by the institution.

According to Dominelli (2002:23&111-113) operating in groups assumes that individual identity characteristics must be submerged in order to get the objective of the group achieved. Even though, it is not always easy to separate an individual with his or her social and physical environment contexts which highly determine the actions or behavior of that particular person, as discussed earlier in the theoretical chapter. Personal considerations and behavior, however, particularly those which threaten the achievement of the goal must be addressed accordingly so as to rescue the group from disintegration.

In operating as a group in microfinance services, group members use dialogue to settle their differences or the perceived delinquent members who can threaten their enjoyment of the services provided. The above story from the group indicates the importance and power of dialogue in dealing with non-conforming members in a

group so as to keep the atmosphere conducive. This is to adhere to the microfinance institution settings which demand that there must be five members in a group throughout the loan circles, and it is thus the responsibility of the members to ensure that they stay together as long as they can.

### **Seizing the belongings of a defaulting members**

Sometimes, disciplining measures do not work out, something which forces the fellow group members to seize the belongings of a defaulting member for auctioning to recover the unpaid money. In doing this, loan takers seek for support as they explained:

*We actually get the security support from the institution. They also provide a letter which we take with us and they provide us with transport which we can use to take the seized belongings of the person who is owed the money. We first take the letter to the ten cell leader, then to the local government authorities before getting the permit to go and take with us some of the valuable properties from the owed person which we later on auction to recover the loan. We don't just go there; we follow the laws and regulations. When we get there we just take anything we can afford to carry with us. And it is the responsibility of us as a group to sell those items among ourselves for whoever is interested, what the scheme wants is the money. What they can just assist us with is the place to keep those things before we sell them.*

**Researcher:** *But how do you win the authorization of the local community leaders?*

*The loan application forms demands for signatures from the ten cell leader and the local authority leader representative. Therefore when the time comes where we need to approach them for assistance it is not difficult because they know that person already. This gives us the courage and assures security (FGD: Group D, 08.09.2011).*

This phenomenon indicates the risky part of being a group member in microfinance schemes. When it reaches the point of confiscating defaulting members' properties, it means that other efforts have failed. People are then driven by anger to enter the compound of the defaulting member and take with them whatever they can afford.

This is not a simple work. Rather, it is an activity which demands for time and energy to accomplish. These demands can act as barriers or opportunities to influence people's choice in participating in group loan schemes, as discussed in the theoretical chapter. An old person for example, can hardly afford such activities, even though he or she would be able to conduct a small business and win acceptance in a group.

On the other hand however, this situation indicates how people can use social systems and structures (social capital) to facilitate their activities of making sure that they continually benefit from the microfinance services. Using local leaders here can be an example.

Looking this situation from the side of the defaulting member, things are different though. There might be some serious reasons for failing to repay the taken loan, though not necessarily be considered so by the fellow members. If at all microfinance is targeted to assist the poor, such actions might end up making such people even poorer than before they started taking loans. It is from this perspective that microfinance is said to be disempowering rather than empowering (Johnson and Rogaly 1997; Littlefield, Morduch et al. 2003; Mahmud 2003; Barr 2005). There is a reason behind people's failure to repay the loans. However, there seems to be very little consideration on personal issues, where the scheme operation stresses on its aim of enhancing full loan repayment thus putting a pressure to the fellow borrowers who ends up taking away the valuable belongings of the defaulting member. This situation might be a reason as to why people decide to flee from their residences, due to such consequences.

### **Carrying the burden as a group**

Sometimes people take loans and flee their homes. In such instances all precautions and disciplinary measures might be useless to recover the loan. When this happens, this is the approach which the rest of the members in a group said they apply to recover the loan taken by their fellow:

*Firstly it is the responsibility for the members from which that person is. If they ask for assistance we help them out. May be for following up first, and if this does not work out, we take the responsibility all of us in the market enterprise committee (MEC), to contribute every week until the whole loan is*

*repaid... For example we divide the loan among ourselves where every week we must come with extra amount of money to cover up FGD: Group D, 08.09.2011).*

Another group however had a different approach as follows:

*If it happens that one of our fellows is not able to repay for some reasons we mobilize ourselves and repay for him/her and we are taking it as a loan of which he/she has to repay when things get better (FGD: Group A, 18.08.2011).*

In this situation there is an aspect of self-organization among the group members. This is to meet up the requirement of full weekly loan repayment for all members of the group, where by group members are forced to collaborate in sorting out their fellows who have for some reasons failed to accomplish this task. Loan takers do not like this option as it is disempowering. Everyone is struggling to make it when his or her weekly repayment is due. Any additional cost can either mean to deduct from one's savings or capital, which is not the plan. However, they have to weigh the cost of being locked in every time they come as they said during the group discussion:

*Some of us are selling food as lunch in different places, others close their business places to attend the meetings here and so no one wants to stay here the whole day.*

*... What she (the previous) said is very true because if you can see, we are now locked in here. We are not getting out until we submit the repayments for our fellows who did not come today. At the same time our business is not operating because we are not there. And we think that this is a serious problem (FGD: Group C, 31.08.2011).*

Paying for the defaulting members is sometimes the best option for the rest of the group so that they can proceed with their other undertakings to make sure that they have the money for the next week repayment, otherwise things will be the same. But my concern here is, why should people have problems in holding down their responsibilities toward the group? This implies the problem arising in the form of participation the loan takers have to follow. The main issue here is to make sure that the weekly repayment is fully made, no matter what. As Cornwall (2008:275)

maintains, “in invited spaces to participate, (as it is here with group lending schemes), are often structured and owned by those who provide them, no matter how participatory they may seek to be”. Even though microfinance may claim to enhance empowerment through participation, whereby people are being given the mandatory to select their peer group members and organize for repayment purposes, still the idea of the microcredit owners to lock them in is questionable. It is to make sure the money is repaid back at any cost, such as even if it entails locking people in the compound. It is no doubt that after such coincidences, there is a risky of destroying the relationships and friendship between the loan members who attended and their fellows who defaulted on that particular day. One can imagine how they will look at each other when they meet the responsible defaulting person later in the street. However, it is again within these structures loan takers have to negotiate so as their choice ensures more reward. Moreover, they have to weigh on what pays better between quitting the scheme and find other alternatives or take the burden and keep enjoying the price (if any).

### **Closing remarks**

This chapter is about the critical analysis of the initiatives taken by group loan members in making positive use of the set structures of the microfinance institutions. In a way these structures may seem to limit the actions which can be taken by the loan takers such as the condition of being and remaining in groups as long as one wants to enjoy the loans. People are then carefully selecting peer group members who can guarantee future good performance. They are also establishing mechanisms for making sure that the groups they have formed stay together as long as possible. Lastly but not least, they develop mechanisms for solving their problems so that they can continually enjoy the loan services provided by the institution. Together with being influenced with the structure of the microfinance institution in taking actions, people are also considering the environmental factors surrounding them, such as the possibilities people have to take loans and flee.

## **CHAPTER FIVE**

### **BEING A WOMAN AND A CLIENT OF GROUP LOAN SCHEMES OF THE MICROFINANCE SERVICES**

#### **Introduction**

Out of the 25 people I met during focus group discussions, only 3 of them were men, though the microfinance offers free entry of clients who qualify for loan taking, regardless of their gender. It is not surprising that most of the clients of group loans in microfinance services are women. Many of the microfinance initiatives have been focused purposely on empowering women who are considered the most poor in many societies. Likewise, studies have suggested that a lot of women have made a remarkable improvement of their lives through participation in loan schemes. This chapter will analyse the situation, role that women play in enhancing these positive changes, by considering the rewards and costs women encounter in being clients of group loan schemes of the microfinance institutions. Also, the possibilities and constraints created by the situation of being a woman in group loan services of the microfinance institutions. To start with, I will present an analysis of the challenges as presented by women who are clients in group loan schemes.

#### **Challenges facing women who are clients of the microfinance services**

The challenges facing women who are clients of the microfinance schemes stems from different sources such as the operational structure of the microfinance schemes as well as the community from which these women belong. The following analysis will focus on those challenges as raised by women from the focus group discussions conducted during my field work.

#### **The nature of group lending system**

It is argued that women prefer the group loans of microfinance services due to the social context it creates. Women get time to meet their fellows and talk about different things, of which they find it as a relief from being housekeepers for most of the time. In this way, they strengthen network among themselves after initially being confined home (MacIsaac and Branch 1997; Seibel and Almeyda 2002). However,



from the focus group findings, this was contrary to what women said about the weekly meeting at the microfinance institution.

*It is good to take loans as a group, but there is a period if one or more among you get stubborn in repaying, it affects the rest of you who are willing to pay. Sometimes I do prefer to be alone because then I would have been paying peacefully without being irritated by others as it is in groups. As you know we are all entrepreneurs here, and the institution demands that you pay all the required money on the day you meet. If we do not do so in our group, we are locked in here until we do all we can to make sure that the money for those who are missing is paid. That time is wasted, while we could have been out there conducting our business so as to be able to pay for our next instalments. It would have been better instead, if we were provided with individual loans... (FGD: Group D: 08.09.2011)*

The social context, though it might be useful for these women, does not seem to be the primary concern for them. Taking loans in group adds a burden and they consider it more as time wasting than what the literature suggests. It should not be forgotten that apart from being entrepreneurs, most women are still responsible for house chores, taking care of their husbands, children and extended families (Cheston 2007). With the ever increasing demands of earning a daily living, it does not matter whether it is a man or woman when it comes to chasing the daily income. Weekly meeting at the microfinance institution's premises consumes a lot of time for these women which could be used somewhere else, at home or in their business areas as they pointed out:

*Another thing for me is about this weekly meeting. There would have been a different arrangement to meet at least once or twice a month because one week is a very short period. It makes you a loan servant, running restlessly everyday thinking about the loan and coming to (the scheme). The worst thing is when you think about wasting the whole day there because there is also the issue of possibility of being locked up. Every time when the repayment day comes near, you feel so down... (FGD: Group B, 25.08.2011)*

In understanding a social situation, Hollis (1994:16-17) insists that it must be done from within rather than explained from without. That is, instead of seeking the causes of behaviour, we are to seek the meaning of actions. These meanings "range from

what is consciously and individually intended to what is communally and often unintendedly significant". So, concluding that women enjoy the weekly gatherings at the loan institution premises just for the sake of freeing themselves from their confinement at home is overlooking the primary concern for these women as far as economic power is concerned. If this is the case, why do women make the majority of group loan clients? What choice do they have when it comes to the type of loan they would rather engage with? This has something to do with collateral issues as analysed hereunder.

### **Possessing collateral as a necessity for individual loans**

There are possibilities for individual loans if someone wants to, though after qualifying with the set conditions as it is for group loans. For a person to qualify for an individual loan, for example, he/she must possess a title for land, house or any other immovable asset as mentioned in the introduction chapter. This condition is a barrier for many women as they said:

*Taking an individual loan is a good option but it has a lot of conditions such as having title for land or house which for us is a very difficult condition. For example, us as women we mostly marry and move to our husbands' houses. Sometimes if things go well we build our houses by collaborating with our husbands and thus it is not easy for the man to accept using the title for taking a loan. Sometimes it is the only one house you have, and business issues are undetermined as well, if anything goes wrong you might end up losing your house. But in group loans we are standing for each other and that is much easier for us (FGD: Group A, 18.08.2011).*

Though not mentioned explicitly, the collateral demand for a person to qualify for an individual loan, which is relatively big and accompanied with a relatively lower interest in relation to the group loans, does not favour many women. Many women are financially powerless in families, with no right to own or inherit property (Selinger 2008). These deep-rooted traditional, cultural barriers and the existing social norms create barriers for women to access individual loans. As a result they do not choose group loans because they want to, but rather due to the circumstances they are facing. These determine their actual option as they said:

*...Groups are good options for the sake of enhancing social collateral. If you discuss with your husband and he is willing to give you the title for applying for individual loan that is much better. But if somebody does not intend to take very big loans, group loans are enough, like the way we trust each other, this is enough (FGD: Group C, 31.08.2011).*

Many women wish they had capacity to opt for individual loans but they are constrained by their feminine gender. As players, they are “constrained by the rule of the game” in deciding what would be a better option for them (Hollis 1994:19). The possibility for them to opt for individual loans is determined by the willingness of the husbands as heads of the families. Even when the house is built through cooperation, still women have no power to decide what to do with the title of that house, as for loan purposes.

Stressing gender issues in relation to borrowing women, Swain and Wallentin maintains that, gender relations can be explained in the framework of strategic choice making between men and women (Swain and Wallentin 2009). Strategic choices for women seem to be constrained by their being subordinate to men, something which force them to opt for group loans instead of individual ones, which many prefer. The land title or other tangible items that can act as loan guarantee belong to men as heads of families (Cheston 2007). In such instances, when it comes to options for loan schemes, women end up taking small loans, facilitated by non-material collateral, of which may sometimes not guarantee their future well-being. The form of participation given as an option for individual loans excludes women due to gender relations in the structure of the community they belong. In connection to agency theory, this condition can be well explained by culture as a determinant for people’s choice to act upon a situation.

### **The cultural context of women**

As mentioned previously, the cultural context of women has a big role to play when it comes to women who are clients of microfinance schemes. Let us consider the following two quotations from the group discussions as an example:

*When I told my husband for the first time about my intention to start taking loan, he was very upset. He told me that, we are not going to be two men in*

*this house. He said, because you women, when you get money you want to control everything in the house including your men. You think you can do everything a man does and then become impossible... (FGD: Group B, 25.08.2011)*

*...after I started taking loans, my husband stopped leaving behind the money for our daily consumption in the house as he used to do. When I told him about the school fees for the children he just said that I can as well pay as I have money and that children are not only his but both of us...in short he did not want to do anything in the house at all, and on top of that he went and marry another young lady from the village... (FGD: Group D, 08.09.2011)*

In a community there are guidelines for gender roles, setting lines between what men can do and what women can do. And so, people act and see themselves in relations to the expectations of the groups they belong (Bauman and May 2001). These expectations differ from one society to another. In many of the African societies, men are considered as bread winners and “instrumental” leaders in a family, where by women have the primary responsibility to take care of the family at home and offer “expressive” leadership (Wallace and Wolf 2006:433). This is also according to the religious teachings of both Islamic and Christianity. Men are then expected to be the ones who work outside the home and earn for the family. The fact that women can earn as well indicates going against gender roles for them, as it is perceived above, making ‘two men’ in the house. It is against the created “social order” (Bauman and May 2001).

According to Douglas (1966:48), culture in any community draws a clear line between gender roles and responsibilities. Things should fit into their respective boxes if order has to be maintained. Crossing borders is then regarded as “sticky” and uncomfortable, raising a threat. Women participating in microfinance schemes, for example, face the risk of complicating their family and marital relationships or seeing them destroyed. They might be held as victims of family disintegration which may also lead to poor children rearing particularly in African cultures due to their engagement in business (Kandiyoti 1988). However, this line of thought can be contested when it comes to changes resulting from modernization, whereby there is a great change in gender roles as it will be analysed later in this chapter. Tesoriero

(2010) and Bauman and May (2001) contends that, culture is not static, it is subject to change with time by human beings who invented it. Through agency, people create and recreate the world around them to fit with their current demands. As a result, people shape the system and the system shapes them simultaneously. In this way, we will be right to say that agency and structure are in a dialectic relationship and not the opposites. In the meantime, though, culture still plays a big role in determining women's choices when they participate in loan schemes as the analysis below shows.

### **Gender roles, choice of business and loan size**

There is a big relationship between women responsibilities in a family, the type of business they choose to engage in as well as the loan size. Women pointed out that:

*Honestly, we are thankful to (the scheme) for its efforts to enable us poor people with low income, they care for us. It is upon yourself to decide upon the amount of loan you want to take in relation to your business size, and they don't force us. If you think that your business does not grow so fast you may proceed to take the same amount of loan until you decide to take more in relation to your business growth.*

*...Like me, I have a small shop close to my house which I have run for many years now. I can easily take a look at my house in between because I have small children... taking an individual loan is good, but if you don't want to take a big loan, this is also a good option, like here, we are helping each other, and for me this is good enough... FGD: Group A, 18.08.2011)*

From the above information, women think that they have the freedom to choose what size of the loan they want to take. However, to what extent this is true is quite questionable. Making a balance between these three things (i.e. gender roles, business choice and loan size) is a challenge to women. Though justifying about the positive side of being in a group loan, women need to consider their other responsibilities when it comes to what they want to do. In other words, women's choices about activity and their ability to increase incomes are constrained by gender roles which are not favouring women. These are in relation to access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, which limit access to markets in

many cultures. One woman for example mentioned that she had to stop borrowing and doing business for one year because she had to take care of her sick father, who died afterwards. Being out of business for such a long time, caused her to lose her customers. In this way, social structures and arrangements act as a framework which determines women's choice and ability when it comes to loan services in alleviating poverty. If there was a sustainable social system to take care of the young children, sick and old people, women could have ample time to participate fully in business activities. These gender constraints are in addition to market constraints on the expansion of the informal sector, and resource and skill constraints on the ability of poor women to move up from survival activities to expanding businesses (Swain and Wallentin 2009).

Freire (1996) maintains that, in the process of liberating the oppressed, it is important to consider the ontological as well as the historical aspects of the concerned people. Microfinance is a current implementation for alleviating poverty in less developed countries. This is contrary to the gender relations in the community to be addressed, which have existed for a relatively longer time, in relation to the culture of the society at hand. So, if microfinance schemes have to work out in liberating and empowering women, they need to be implemented in ways that take into account the historical perspective of gender imbalance in the community. This will ease the barriers to women participation in microfinance services, and make their efforts focused towards maximizing the profit from it be realised at a higher degree.

Further, the response of these women shows that they have accepted and live within the structure of their community. In this aspect, critical consciousness in influencing people's perception as discussed in the theoretical chapter becomes vital. Critical consciousness enables people to question about the reality of the world around them, and so recreate it to fit to their present standards (Freire 1996). As will be discussed later, though women are constrained by the social cultural structure of their community, some take it as a challenge and move on to show the community that there is a different and better way to make things work, despite the gender of a person. In this way they are motivated to act to make microfinance work for them due to the dissatisfaction of the constraints and stereotypes their society has put to them.

## **Microfinance services and gender balance**

Through microfinance schemes, women are economically empowered. As a result, they gain more capability in contribution for the household expenditure and take part in decisions concerning family welfare. In this way, the gender gap is being reduced (Mahmud 2003; Selinger 2008). However, in order for this to happen, something must be done by borrowers to ensure that the loans taken are paid back in time. In enhancing prompt loan repayment, this is the procedure which applies particularly for women:

*...That is why when a person especially women, before being authorised to receive loans are always asked if they are married. If so, then a husband must sign the application forms. But sometimes some people forge their husbands' signatures, and therefore the problem remains... (FGD: Group C, 31.08.2011)*

Why is it important for men to authorise for their wives' loans and not the other way round? Does it mean that women cannot be trusted without their husbands? How does their relationship with husbands or men enable or constrain their choice for loan schemes and business to engage with? The above information brings an implication that some women lack trust in themselves that they can manage their issues without being backed up by men. The social structure they are living in has determined their way of doing things right. That is, women can do better only with the back up support of men. This is a big challenge. They are talking about enhancing their independence and gender equality through microcredits, but still they are dependent on their husbands to make it. This is like asking for assistance from the enemy you are fighting against. The war might take forever. The salient issue here is for women to understand and challenge the reasons behind their lack of confidence. To be successful in business can hardly be achieved only through being provided with loans and business training. This is what Freire (1996) terms as banking mode of education, whereby women as loan clients are educated to favour the interests of the microfinance institution which is about being able to fruitfully conduct a business enough to ensure prompt loan repayment, rather than empowering women as they claim. Instead, these women need assistance to identify and challenge those existing relationships so that they can realise their potentiality. This is an extra action women

in particular must take so as to benefit with what they are doing through loan schemes.

Also, the condition for men to sign their wives' application forms is not always helpful. In one focus group discussion, for example, informants identified one of the problems as forgery of signatures for women who cannot get their husbands to sign their application forms. So, there is a lot more to do with gender relationships when it comes to women liberation and empowerment. Another course of action might be more helpful as Bauman and May maintains, "if we want to transform ourselves it will require a great deal of effort against the taken-for-granted expectations of those who surround us" (Bauman and May 2001:20). Women need to have confidence that they can afford taking and repaying loans even when the husbands are not highly involved to the extent of making it as a condition for getting loans. This might be difficult as it is about transforming what people have believed in all their past lives. It is about challenging the social system, structures and culture. However, it is possible, because gender relations, roles and responsibilities are human made, not natural, which are then subject to change with time. Again, as previously mentioned, agency and structure are dialectically related, so there is a possibility of moving to and from both directions simultaneously.

### **What control do women have over the loans they take?**

Talking about the challenges they face in operating as groups in loan repayments, women had the following concern:

*There are some ladies who are being sent by their husbands or partners to apply for loans. They follow all the procedures and get the money they wanted. Afterwards they give all the loaned money to their men. Now, when repayment date comes, these men are not ready to cooperate especially if they know that the woman has a small income somewhere which however might not be the agreement.*

*...A friend of mine told me that after she gave her husband all the money she got from the loan, things changed in the house, especially during some few days before the weekly repayment. The husband was irritating and treating*



*her so bad his wife so that when the repayment day comes she can't even dare ask for the money (FGD: Group D, 08.09.2011).*

There is a big difference between receiving a loan and using it when it comes to gender. Bauman and May (2001) points out that gender stands for power relations, which tends to be slanted in favour of men. Being brought up in a culture where women are trained to be submissive to men, women might end up taking loans on behalf of their husbands (Kandiyoti 1988). As a result, the benefit from the loan may or may not reach women and even perpetuate gender imbalance, where by women can only be used as mediators between men and the lending agencies (Selinger 2008). It is then naïve to assume that when women are provided with loans they will invest and hence improve their lives before seeking to know if that actually takes place. On the contrary, women need to be helped to challenge the existing norms and culture so as to be able to effectively improve their well-being (Swain and Wallentin 2009). Some research have even pointed out that most of the women who make it through microfinance are only those who are widowed, divorced or separated (Goetz and Gupta 1996). Further, Selinger (2008:32) maintains that, there is a tendency for husbands to force their wives to sign up for loans only to forcibly appropriate the funds from them.

Moreover, the information provided above by the women participants in the focus groups indicates the complex nature of agency. Being surrounded by many different aspects in the structure of the society these women are from makes it difficult to tell beforehand what actually makes a person to apply for a loan in a group setting. People get to know what a person intended after repayment problems start, if at all that person is willing to tell what exactly happened. So, even though there might be a large number of women participating in group loan schemes, it is not always right to assume that they all have the same focus and determination as far as poverty alleviation is concerned. Others might be motivated to make it work for the intended purpose while other women might be doing it to impress their husbands or whatsoever. So, they may all take initiatives for making microfinance work for them, but for what goal remains an individual case.

When it comes to empowering women through microfinance schemes, the information above from the group discussions poses a dilemma. This is based on the

fact that, though women are provided with loans, they must participate within the largely unchallenged existing social structures. This is for example when husbands are used as guarantors for women to secure loans can build a structural constraint for these women.

However, apart from the above challenges, women on the other hand enjoy the benefit of being loan clients in this group system as analysed hereunder.

### **The reward women get from being in group loan schemes**

Apart from the pointed out challenges women face, microfinance institutions still have a lot of clients, and many more wish to join if they had access, which implies that there are reasonable advantages in belonging to such schemes. There are a lot of success stories about women who are clients of the microfinance services.

### **Coping with changing roles of women in contemporary societies**

Participation in group loans has enhanced women to realise their potentials in the changing life demands of the modern society (modernization was discussed in the theoretical essay as a determinant for agency). This is what some of them see as a reward from being clients of group loan schemes:

*...The other advantage is that, I as a woman, if I enable myself, I won't be a burden to my husband. And after all it is not always that a husband must do everything in the family. Like me, I was able to take the loan from fifty thousand those days, but I managed to do business and got reward out of it. I am now able to foot my personal needs without disturbing my husband. I can also manage to pay a nursery school fee for my child, to buy some important things in the house, and even to help my family on my own. In this way, my husband's capital will grow and he will be able to do many other things, even support me when I need help. At the moment we are assisting each other to educate our children, we have built a house and we are running our everyday life by helping each other (FGD: Group B, 25.08.2011).*

Being financially incapable makes women feel like burdens to their husbands and useless to those who might expect them to help out, such as the extended family as mentioned. Microfinance is then regarded as a way to enhance women financial

independency from men, as well as enabling them to contribute to financial undertaking in the house and feel useful (Mahmud 2003). This is the pressure resulting from the changing demands for the modern industrial societies we are now living in (Wallace and Wolf 2006). The demand for purchasing power for goods and services has made a turn from believing that women have no other responsibilities than being wives and mothers in the house. Children must be sent to school and treated when they fall sick, rent must be paid or building family house, transport must be taken care of etc. All these need money to be met. Sometimes, men cannot provide for all the daily requirements in the house due to low income, increasing life expenditure and many other reasons. The growing of economic demands adds a burden to any single income family, and so there is a need to find strategies to cope with the situation. In this way, their willing and motive to act upon the provided opportunities of the micro credit scheme is influenced by these changes brought about by modernization.

By making use of loan they receive, women offer a contribution and support to the daily family consumption. What happens then to the social expectations of the community around them which demands them to stay at home and take care of the family? As discussed earlier, agency is determined by taking a course of action which is more rewarding to the beholder. Women seek loan services to find means of relieving financial problems facing their families or increasing their families' income. This is the most rewarding opportunity for them in relation to the pressing needs of the modernised life style. So women establish small business enterprises and make them bigger and more productive through borrowing from microfinance institutions.

*...But frankly speaking, (the scheme) is so helpful for us even though the interest is too high. Because nowadays even our husbands in the house are lending us their money with interest and sometimes followed by a lot of preaching sessions... (Laughter)*

*... As a human being, I think it is not fair to ask for money or permission to do something you want from your husband, as if you don't have your own hands to work and earn for yourself. This dependency is what makes men to mistreat us in many ways. We are forced to agree to their decisions even those we don't like because it is their money and they have power to decide over it. It is better*

*for us to borrow from here so that one day we can be proud that our men will be looking to borrow from us (FGD: Group C, 31.08.2011).*

Being economically inferior makes most of the women dependent on their husbands in decision making. However, those who are exposed to the modern way of life are now thinking differently. They might be influenced by the ever echoing phrases of activists such as women empowerment and gender balance which have now been popular, particularly in developing countries. Taking loans is then considered as a step towards enhancing financial power to women, who are seeking to be able to make their own decisions without being dependent or influenced by men. They are struggling to get rid of the oppressing 'power over' relations when it comes to gender (Dominelli 2002). This is their reason behind taking actions to participate in group loans, regardless their mentioned challenges. However, all of this is a subject of time. A woman from two or more decades ago would not mind if she was dependent of her husband as it was the way of life at that time. In recent days, that situation has changed to force women into the market economy. There is no more enough land for all to cultivate, people struggle against scarcity, there is information technology to make the world as a small village. This has led to global culture and economy and many other different social, political and economic changes one can mention (Wallace and Wolf 2006:190-195). Being a man or a woman is no longer an issue, what matters is how one is prepared to fit in the changing world, as women wish to provide loans for their husbands in the future.

### **Managing life independently**

Some of the women have gained a remarkable success through borrowing from microfinance institutions as they explained:

*...I have grandchildren who I take care of. They are orphans from my dead children. As you can see I am old and so is my husband. I need to do something and taking loans has been the good option for me. They are now going to school, which I think is the best I can give them.*

*...My sister was able to take very good care of her children even after her husband died, and that is what impressed me to join afterwards. She does*

*everything in the house independently; she can do things when and how she is pleased without being intruded... (FGD: Group A, 18.08.2011)*

Deciding to act is triggered by the circumstances a person is facing and the future anticipation of what such kind of decision can reward among other alternatives a person have. As highlighted in the theoretical chapter, there are several contexts surrounding an individual, which may influence his or her behavior, both in thinking and acting. It is also about being motivated by those who have made it through the situation at hand. The first part of the quotation from the informants shows an old woman taking responsibility for raising her grandchildren who are orphans. In Tanzania, due to the impact of HIV/AIDS, there have been an ever increasing number of orphans. Due to scarce resources to accommodate all needy children by the public and private owned orphanages, such children are being taken care of by their families, some of which are old aged (Urassa, Boerma et al.1997). In this situation, the old aged are facing an extension in working age to foot such arising demands in their families to improve the poverty situations; otherwise these orphans will end up being street children and criminals. Further, after their children have died, their hope remains in their grand children who are expected to help them as well when they grow up enough and secure employment.

The second part of the response on the other hand indicates that marriage is no longer a guarantee for future promise for women. There is a set end to the life of every human being, in addition to the possibilities of separation and divorce. Things might even be worse if the man was the bread winner in his extended family which is very common in Africa and Tanzania in particular. Women are then forced to find something which can guarantee their income to support their families even during the absence of their husbands by any reason.

Other women, moreover, have gained more respect from their husbands after showing their contribution to the household expenditures and development. As a result, men's attitudes towards women have changed. Some men are very positive about their wives being clients of microfinance services.

*In the beginning, my husband would do whatever he wanted to without consulting me, and I was sometimes very annoyed for being just informed about the already taken decision. But as for now, I am earning reasonable*

*money from my business and my husband has noticed the change. He now consults me in many decisions before taking them, and for me this is very respectful... he even allows me to travel to different places for business purposes... (FGD: Group C, 31.08.2011)*

When women acquire economic power, the marital relationship also improves. Men realize the potential their women have and involve them in decisions that affect the family welfare which was contrary previously. This is the salient aspect of agency/structure dialectical relationship (Hollis 1994; Fuchs 2001). Though previously women seemed to be constrained by the structure in pursuing their empowerment, they are gradually making a change of that structure by proving their alternative potentialities.

As mentioned previously, this might not be the case for some other men who think that economically empowered women are a threat when it comes to gender roles and responsibilities in a family. So, we cannot assume in general that economic empowerment can by itself regulate gender discrepancies. It might happen that men are just involving their wives to win their economic support but not regarding them as their equal companions. Gender imbalance has a lot to do with structural systems like culture in terms of socially defined gender roles and politics, which people have internalized in their daily practice and consider them as normal living standards. Many women, for example, are still constrained by too much work load at home, after a long day in doing business out their homes. In this way they are over used rather than being empowered as they think, and still consider it as their responsibility. Goffman (2010:279) insists that,

*“What the individual is for himself is not something that he invented. It is what his significant others have come to see he should be, what they have come to treat him as being, and what, in consequence, he must treat himself as being if he is to deal with their dealings with him” .*

However, women should not always be treated as victims of the social structure to quietly adhere to it. Having agency, they have the capacity to influence change in this structure. As Fuchs (2001:26) maintains, “without person doing things, there would be no social structure”. That is to say if social structures were set by human beings, they have the capacity to amend it to fit their current changes and demands.

### **Summing up remarks**

In this chapter, I have tried to show the context of Tanzanian women in microfinance schemes when it comes to what it takes to participate in such schemes. The analysis explored what determines their decision to join the group loans, as well as the price they pay to enjoy the prize, which is to make the scheme work for them. Through the discussion, it shows that some women improve lives through borrowing in groups; to others it adds even a heavier burden, frustration and complication to their lives. The most striking observation however is that all women prefer most individual loans even though they cannot access them due to various socio economic, cultural and structural constraints.

## **CHAPTER SIX**

### **SUMMARY OF THE KEY FINDINGS, CONCLUDING REMARKS AND SUGGESTION FOR FURTHER STUDIES**

#### **Introduction**

This study was based on the research question which is “Considering the enabling goal of microfinance services in poverty alleviation, what are the poor people doing to make it work for them?” The study was done to include group loan takers of one of the popular microfinance institutions in Tanzania. In approaching the answer to the research question, focus group discussions were used to get the insight of loan group participants in regard with what they do when they are negotiating the possibilities and constraints created with the microfinance structure. Four focus groups were used, three of them consisted of existing five group members (EGs), while the fourth group consisted with ten representatives from each group of five in a market enterprise committee (MEC).

The study was guided by agency theory, which is about understanding people’s actions in relation to the situation at hand. With this theory, the researcher was able to describe/analyse the circumstances which make loan takers do what they do, being players in the framework of the microfinance rules and regulations, as well as sociocultural and economic situation of the society they live in.

From this approach, the following is the summary of what informants presented as what they do to answer to the research question. This is categorised into actions involved in forming groups, making groups work, and dealing with challenges as well as women borrowers of the microfinance institution.

#### **In forming groups**

Group formation is basically made based on trust among people. Once a group of five is formed, members are held responsible for each other throughout the loan rounds. Following that, people tend to form a group with people they know well enough to trust, based on the existing and newly formed bonds. In this way, there are some people who are left out because they are not known and so cannot be trusted. To start



with, people try to win the acceptance of those they consider trustworthy, through sharing information about the existing opportunities and the rewards they can offer.

Trust does not just happen, but rather it is created by people themselves using different mechanisms. Firstly, there is geographical consideration, whereby people are concerned with forming groups with people who live or work close to one another in the group. This, apart from enhancing ease coordination, allows for tracing an individual's background. Moreover, it allows for group members to make a follow up on each other's on daily life activities to detect beforehand any possibilities which may threaten the future performance of the group. All this is enhanced through communication and sharing information among the prospective group members. Additionally, people seek to know one or several family or close members of a potential group member who can be consulted in case of any problem.

However, for some groups, the closeness of residence areas of group members was not an issue as their communication and coordination is facilitated through mobile phones, both by communicating their issues and money transfer for those who might be absent on the repayment day. They rather formed functional groups, based on the business relationship they have among themselves.

These observations reveal how people are agentic, to mobilise and organize themselves so as to acquire the available opportunities. They are aware of what is going on in their community, the different possibilities and accompanied challenges, and they have thus made their choice on the option according to what they prefer most, and what they can afford. Moreover, it implies bottom-up approach to participation, whereby people have full control in decisions affecting formation of their groups and not the microfinance institution. A person to be included in a group has to be accepted by all the members who form that particular group.

### **In making groups work**

This is the actual participation in loan services by the poor people. Here, there are both aspects of top-down and bottom-up approach to community participation microfinance schemes. On the top-down participation, people are invited to take part in loan groups by the standards set by the microfinance institutions. They are creating and operating their groups to meet with these set standards if they have to be

considered in loan provision. Further, they are obliged to weekly attendance at the microfinance institution premises, with a hundred per cent of their weekly loan repayments; otherwise they are locked in until all the money is raised.

Loan takers have then created their own mechanisms to see that this condition works out in a convenient way. Firstly, they communicate earlier to know if there is anyone in the group with a problem which may lead to attendance or repayment failure, so that it can be solved beforehand. They also make follow up on individual business performance and make use of the social capital to create market for their goods. This is for example, by selling their product during the day they meet at the institution for repayment purposes. In this way, they are exercising agency by identifying possibilities around them and make them useful in pursuing their intended goals.

Further they educate each other on business issues through sharing experiences. This is considered as liberating education as opposed to banking education, whereby people sets the agenda for discussion which comes from their own locality and interest. They reflect and act upon the constraining factors for achieving their goals. So, to be particular, the findings indicated that people try to imitate each other, ask for help from those who are seen to be more successful and find alternatives for better market of each other's products in a group. Loan takers also have arranged for mutual and material support to each other in their personal social activities, whereby they contribute and participate when their fellow member celebrates an achievement or mourns the loss of a close family member. In this way, social capital is also strengthened and people enjoy an added advantage of participating in group loans, which helps the group to stick together.

This is related with collective action for change in community work, where solidarity plays a big role in helping people to achieve their intended goals. It lies in the notation of 'power with' strategies as people strive to empower themselves.

However, in pursuing this end, loan takers face a big challenge which is resulted from the responsibility they are given in operating as market enterprise committee (MEC). This is the group of ten aggregate groups of five, created by the influence and interest of the microfinance officials, though sometimes loan takers may be involved in approval of the aggregate groups. This form of operation was observed to be problematic especially when in most of the day people meet for their repayment

schedules; there are missing members who must be paid for by those present. People complained that it is difficult to coordinate such a big group to know who comes and who does not. Having given full power to create their groups, there is a possibility of finding bad and good groups due to what is behind people's mind and interests in forming them. As mentioned in the analysis, people tend to run away when they are provided with a relative large amount of money in terms of loans, which indicate the strategic plans before people to join for group loans. At the end of the day, people find themselves in endless problems of repaying for the defaulting members. Moreover, this is considered as over burdening those who have small loans, but are forced to compensate for the defaulters with bigger loans. However, in trying to make the scheme work for them, loan takers invent their own means of dealing with their operational challenges as it is elaborated hereunder.

### **In dealing with challenges**

The main agenda for the loan takers is to make sure that they are continually provided with loans by the microfinance institution. However, this is only possible if they meet the demand for weekly loan repayment among all group members. This is where a big challenge lies. Some of the reasons for failure to repay the taken loans, as mentioned by informants, were putting the money in non-productive activities like traditional celebrations instead of investing in business as promised. Also there was the fact that some women were sent by their spouses to take loans which were then taken by those men. When repayment day come, these men do not cooperate.

To make things work, loan takers have developed mechanisms to deal with their challenges in a way which will ensure their continually achievement of their primary goal. Firstly, loan takers use dialogue in disciplining non confirming members as well as in sorting out their differences and challenges. This is collaboratively done with five members in a group or if necessary, to include other members from ten groups of five, the micro enterprise committee (MEC). Also, they confiscate the belongings of the defaulting member to cover the unpaid amount of money. This is done with collaboration of the microfinance institution as well as local authority leaders. Sometimes it might also involve the police. When all the measures do not work out, they collectively take the burden of paying for the defaulting member(s), either in a form of loan or just for the sake of sorting out the issue. They usually divide the

amount to be paid among themselves, which they come with on weekly basis until the whole amount is repaid.

### **On women borrowers**

As mentioned previously, this study was not specifically intending to be gender oriented. However, during the study, gender raised attention to the researcher, especially when women were observed to outweigh a number of men who are clients of the microfinance schemes. Further, these women raised many striking issues which the researcher was convinced to take along in the analysis as illustrated previously in chapter five. The findings of the study indicate the particular challenges and opportunities for female borrowers of the microfinance service institutions, as they struggle to make the scheme fruitful for them. Several issues were highlighted as far as women choices on the form of microfinance services. The first was the collateral issue as a limitation for accessing individual loans which were observed to be the preference for many women. Also, there was the issue of gender roles and responsibilities for women, such as taking care of their children and even extended families at home while conducting their business entities. This determined highly their choice of business to conduct as well as the loan size, in this way, thus influencing their agency. Lastly, it was about poor or lack of control women have on the loans they take. This was observed to be due to poor or male inclined gender relations, where some women were forced to take the loans and submit them to their spouses. This was mentioned to be one of the reasons for defaulting members in groups.

In working to enhance their empowerment, women also face the challenge resulting from cultural and traditional arrangements of the community they belong to. These are deep rooted in everyday living of these women and their families, and so taken for granted to determine what women should do and in which ways. For example, the findings indicated the situation where men resisted when their wives were to join for loan schemes, considering it as a threat to the gender roles in the family. Men are afraid of being controlled by women who are economic power as it was traditionally meant that only men have the right to work outside homes and win the family bread.

On the other hand however, the findings indicated that some women has made a remarkable achievement of their lives through loan schemes and hence influenced the perception people have on them. They have subsequently managed to cope with ever

changing socio-economic demands. This implies the role played by critical consciousness in influencing people's agency. Based on a belief that they are capable of influencing change, some women went against the taken for granted traditional stereotypes and made their choice of what they considered as a more rewarding option, to be economically powerful and independent. However, this was observed to be based on the influence of modernization and urbanization whereby people have changed their ways of thinking, trying to fit into the socio economic demands brought about by this trend of life.

### **Closing remarks**

This chapter has been able to show how some of the identified key concepts in community work can be applicable and the challenges accompanied with their application in real life situation. The findings have implicated the fact that, though some community programs might be intending to empower the community, they might end up disempowering them depending on the form of participation being implemented. The top down approach to participation for example, seems to overlook participant key concerns and end up burdening them instead of assisting them to deal with their problems. Social capital on the other hand has implied its possibility of working both to favour or against the individuals in group loans.

On the theoretical relevance of the study, it can be established that agency theory has helped to understand people's actions in making microfinance services work for them. Loan taker's gender, critical consciousness, capacity, and current socio-economic situation have been observed to be integrally related to people's actions and choices.

### **Suggestions for further studies**

People's motives and frameworks influencing their actions are very dynamic and socially constructed. This study was done only reflecting on the urban poor people of Tanzania participating in group loans in only one microfinance institution. However, poverty is a global social problem, which is also contextual in relation to the social, political, economic and cultural aspect of a particular place and time. Tanzania, for example, consists of more than 120 tribes, which have different traditions, geography, and ways of doing things in general. Rather, there are urban and rural poor who are members of the loan services with different background and orientation. I see that it is

important and thus suggest that more research need to be done using different contexts as mentioned above.

Further, the issue of time is very relevant as far as research is concerned, particularly on social situations. Things and situations keep on changing with time. The limitations or opportunities revealed in this study may not be equally striking in the future, due to further modernization of the globe. That is to say people's actions will be equally changing as a subject of time. If poverty persists, which is very possible in some years to come, it is then important to conduct further studies, based on current situations which will reveal the necessity of employing different approaches to poverty alleviation.

As in regard to women, though faced with challenges, still microfinance services have revealed in this study that the group form of lending has given women and even other male people who have no collateral, a chance to borrow and improve their poverty situation. So, there is a need to study further the joint-liability of groups and reveal the efficiency and performances of such groups. This study for example indicated the constraints resulting from group responsibilities when people with relatively big loans are held equally responsible with those with smaller loans in times of defaulting. There is a possibility of destabilizing the group. So there is a need to study how this arrangement resolves into micro-lending practices, to reduce the constraints people come across. Being poor should not be a reason to punish people by getting them into further problems as they struggle to free themselves from poverty.

## APPENDICES

### Appendix 1: Guiding questions for focus group discussion

- How did you know about this institution?
- What impressed you to join this institution?
- What kind of business are you conducting?
- How did you establish your group?
- Can you describe the qualities of a person you were looking for to form your group?
- How can you describe your relationship with your fellow group members? Are you neighbours, friends, church members etc.?
- Why do you think it is important to take loans as a group?
- What have you gained by being a member in this loan group scheme?
- What are the challenges you encounter in operating as a group? Can you tell me how do you deal with those challenges?
- How do you organize yourselves as a group to make sure that you have the money to repay your weekly instalments?
- What are the common reasons behind a person's failure to raise the needed money for the weekly repayment? How do you help out as a group?
- How do you present your concerns to the microfinance officials? How do you get the feedback?
- What do you think the institution should do to make improve its services to you?
- What do you think you need to do or improve to make the microfinance services you are getting have a better impact on you?

## Appendix 2: Schedule of activities

**Table 2: Schedule of activities**

Activity	2011							2012					
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Submit project plan	06/06/11												
Data collection													
Data processing													
Thesis writing													
Submission of thesis													04/06/2012



### Appendix 3: Research clearance

#### TANZANIA COMMISSION FOR SCIENCE AND TECHNOLOGY (COSTECH)



Telegrams: COSTECH

Ali Hassan Mwinyi Road

Telephones: (255 - 022) 2775155 - 6, 2700745/6  
Director General: (255 - 022) 2700750&2775315  
Fax: (255 - 022) 2775313  
Email: [reclearance@costech.or.tz](mailto:reclearance@costech.or.tz)

P.O. Box 4302  
Dar es Salaam  
Tanzania

### RESEARCH PERMIT

No. 2011-226-NA - 2011-122

22<sup>nd</sup> July 2011

1. Name : **Patience N. Kawamala**
2. Nationality : **Tanzanian**
3. Title : **Considering the Enabling Goal of Microfinance Institutions, What are Poor People Doing to Make it Work for Them?**
4. Research shall be confined to the following region(s): **Dar es Salaam**
5. Permit validity **22<sup>nd</sup> July 2011 to 21<sup>st</sup> July 2012**
6. Local Contact/collaborator: **Mr. Africanus Polycarp, Institute of Social Work, Dar es Salaam**
7. Researcher is required to submit progress report on quarterly basis and submit all Publications made after research.



M.Mushi

for: **DIRECTOR GENERAL**

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