

VISITING THE MAMA BAHATI FOUNDATION, AUGUST 2011

IN THE FIELD: LOAN REPAYMENTS AND DISBURSEMENTS

By Rachel Lindley, August 2011



Mama Bahati clients in Itambo village

Itambo village is in Mafindi district, more than 80km from Iringa town; we drove 70km along the main Tanzam (Tanzania-Zambia) highway and then a further 10km down a track through forest and field to the village itself. The last 10km is bumpy and we were grateful for Mama Bahati's 4-wheel

The view from Itambo



drive vehicle kindly donated by Digital Media Services last year. The un-tarmaced section is probably safer than the Tanzam highway however! Local HGV drivers seem to regard the highway as a racetrack; we saw 4 overturned lorries and 1 overturned bus by the roadside in that 30km stretch alone.

MBF's operations now cover 46 centres with over 2000 active clients across 4 districts of the Iringa region. With only one vehicle, poor roads and little public transport, field visits for loan repayments, disbursements and training have to be carefully planned. Urban clients are visited weekly but many of the rural clients can only be reached once per month. Business turnover in the rural areas is naturally slower than in the town

and rural clients themselves are dispersed across wide areas, so monthly visits suit them better too. Sometimes MBF credit officers have to work on Sundays because in the most rural villages, the only time clients can easily get together for a microfinance meeting is after church.



Receiving a loan

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The Mama Bahati programme in Itambo is relatively new and on the day we visited, members received their personal passbooks for the first time. Each member pays 1000Tsh (around 40p) for her own passbook in which the details of all her loans, repayments and savings are recorded.

In addition, the centre leader and secretary (elected by the clients themselves) check all repayments and record them in a large ledger book. Of course Mama Bahati credit officers

keep their own record books too, which are signed off daily by Immaculate, the director, and entered into the central MBF accounting system by David, the project accountant.



Centre leader & secretary recording repayments

MBF has recently acquired Loan Performer software which should help the accounting and loan-tracking processes. MBF is also at the very early stages of discussing the possible use of M-Pesa (a mobile phone money transfer system) for loan disbursements and repayments, at least in those



Awaiting loans in groups of 5

villages where the majority have mobile phones and where there is an M-Pesa facility. This is still some way off but would free up credit officers to spend more time on training and mentoring in the field rather than on counting and recording cash.

When Mama Bahati opens a new centre, it invites the women to self-select themselves into groups of 5. Each group chooses its own name, and the ladies co-guarantee each other's loans. The only conditions for groups are that members must know each other, trust each other and love each other. Members must be women and must be from MBF's target socio-economic group (the 'active poor'). Credit officers visit new members' homes to assess this and meet other family members before new members join.

MBF's repayment and disbursement meetings usually take place in the neutral and safe ground of the local elected leader's office. Before establishing a new centre, MBF asks the local elected leader (because he/she has the local mandate) to call a public meeting for women who would like to find out more about MBF. MBF returns one week later to learn whether or not the women would like MBF to open a centre in their village. These days, there are villages coming to MBF to request a centre, but operating in the remote rural areas is expensive, especially because MBF



Signing for a new loan

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minimises the costs for clients by travelling to the village rather than insisting that clients travel to MBF. With just one vehicle and few staff, MBF is unfortunately unable to respond to all of these demands at present.



Lulanzi village

The villages of **Lulanzi and Luganga in Kilolo district** are some 40km from Iringa, although the journey takes over an hour in a 4-wheel drive vehicle. Lulanzi village was connected to an electricity supply last year and is beginning to grow but Luganga is still small. The village water source is a pump; when that fails, villagers have to use the river or any other water source they can find.

We came to collect repayments a week early due to the Eid public holiday, and perhaps for this reason, not all of the women were present with their full repayment in Lulanzi. MBF is deliberately more tolerant of defaulters than some MFIs, recognising that its mission is to help the poorest and most vulnerable clients and absolutely not wanting to create an Andhra Pradesh in Iringa. However, the Director strongly urged some clients in Lulanzi to change their behaviour and concentrate on their businesses with more effort. I was told there is quite a drinking culture in the village. Most people farm in the mornings (lorries come to the villages to collect produce for sale at local markets) and in the afternoons some of the women open small shops and cafes where they are able to sell well into the evening to those drinking after work. Some however prefer to join the drinkers rather than the workers, meaning that they aren't able to repay their loans on time.



Thriving shop in Lulanzi



Applying for the next loan cycle

Clients in Luganga were more enthusiastic and several filled in loan request forms which were co-signed by their peers in the group so that MBF will be able to disburse the required sums next month.



Luganga village



Waiting for a loan form with baby & mobile phone!

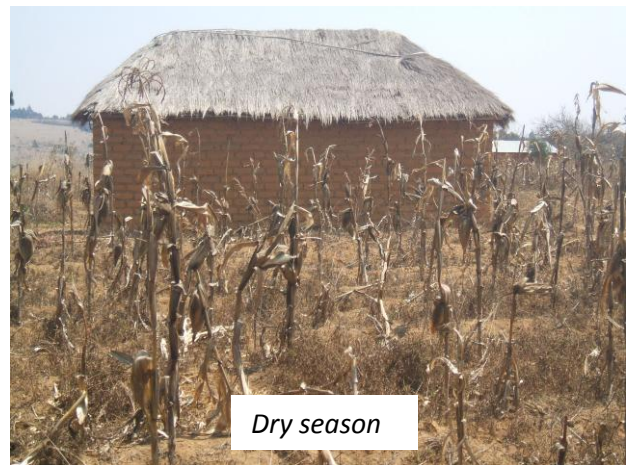
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Women awaiting loan disbursements

Many of the women who join MBF are farmers but MBF encourages them to diversify, perhaps by keeping animals as well as growing crops, or by running a sewing or tea business on the side. This reduces the women's vulnerability if the rains fail or the crop becomes diseased, and it means they can smooth their income across the seasons. MBF's busiest time is from July – November, Iringa's dry season, when clients have more time to attend training and take loans for non-agricultural enterprises.

MBF offers both compulsory and voluntary savings programmes to women in Iringa region. MBF clients are not required to save any capital in advance of receiving a loan (many of them could not afford to do so before their first loan anyway) but they have to make a small contribution - 1% of their loan value - to their personal compulsory savings fund with every loan repayment they make. This means that at the end of each loan cycle they will have amassed a lump sum of their own savings. They can also make additional voluntary savings on top of this, and they are free to add to or withdraw these voluntary savings whenever they like. The voluntary savings product is particularly popular in the villages where there are no banks and so clients have no other way to keep their money safe.



Dry season



Clients in Ifingo village