

KENDAT

REPORT ON:

FOLLOW-UP VISITS

MICRO FINANCE PROJECT

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1. INTRODUCTION

The follow-up visits were organized in order for Kendat to find out the level of awareness created by the officials who had earlier attended a two-day micro finance training workshop. At the same time the organization wanted to establish the willingness of group members in participating in a community based micro finance programme.

2. MAIN FINDINGS

The main findings are as follows:

2.1 Community acceptance

Overall the proposed community based micro finance initiatives have been positively received by the targeted communities. The idea of promoting rural transport in the proposed areas will definitely go a long way in improving efficiency and hence profit margins for farmers in Mwea, Lari and Busia. The CA initiative will equally ensure that farmers in the proposed areas in Kenya and Tanzania get maximum returns from their farms through improved farming methods and availability of appropriate farm inputs.

It was apparent that those who attended the two –day workshops in Mwea and Machakos did not adequately or were not able to communicate the micro finance proposals to their group members.

Wherever we went a mini workshop was held to input the proposed policies and guidelines. Consequently, the consultant will be required to appraise all groups at one stage as they join the micro finance project.

2.2 Security of savings

People are concerned of how secure their savings will be after they contribute them through the group mechanism. In this case, the roles of the umbrella organizations become even the more critical. Kendat should move fast and ensure the community parliaments model is in place in all areas. This will ensure transparency and accountability by providing checks and balances at the group and CBO levels.

2.3 Grace period

Farmers are particularly concerned with when and how the repayments will be effected. The separation of savings and loans accounts was applauded. All

groups must be encouraged to open bank accounts. During the weekly/monthly meeting group treasurers must update members on the account balances.

2.4 Cost of the credit

In the beginning, there were feelings to the effect that a 10% levy on the loans was a bit high. However, after further discussions it was agreed that that was not the case. In Arusha for example, there exists two credit facilities that are charging a similar percentage. The government through Arusha municipality has extended a credit facility for business community and the interest rate is 10%. Pride Africa – a regional micro finance institution is also charging a similar rate on its loans.

In Kalama, World Vision is already running a loan scheme for the business community. In Mwea, a spin-off programme of Plan International called BIMAS is extending credit to the business community through groups. In Lari, almost all the big micro finance institutions including Krep, Faulu and ICLOF are operating in the area.

2.5 Internal controls

Communities are concerned with how the proposed system will be internally regulated. This concern stems from the proposal of funds being run as a community asset, especially the loan repayments. Assurance was given that a well thought out mechanism will be put in place to ensure all fund coming to the community for the micro finance activities will be adequately secured.

2.6 Credit in-cash

There was a consensus that loans should as much as is possible be extended in cash form. The group members argued that this would give them an opportunity to make informed choices on items they are likely to purchase.

2.7 Group project

Lack of ownership is the biggest impediment to the success of group projects. In recent past one would recall the giant Limuru Women Bus Company that collapsed as soon as it was started. Many other examples of small and big projects exist in Kenya to demonstrate this fact.

In cases where huge loans will be extended to individuals then they must be required to demonstrate through other forms apart from the savings through the group, that they are capable of repaying the debt. In this case, the project should target those people with resources. This is more so during the pilot stage.

The argument is that capital investments require proper security so that the poor through the accessibility of the services provided can feel the trickle down effects. After the pilot stage it is hoped many more members will have accumulated savings to enable them apply for loans that can purchase such capital investments.

2.8 Records

As mentioned earlier, proper records constitute the core of any micro finance project activities. They provide the necessary information for the cash trail and all monitoring and evaluation details. This therefore, calls for thorough and accurate recording of the transactions taking place at all levels.

Currently, records maintained at the group level are very poor. Indeed not in a single situation was I able to see a simple cashbook. The proposed micro finance activities demand that the people charged with this responsibility have the necessary skills to ensure up - to - date records are maintained. This calls for training in record keeping. The training should cover all the documents that the scheme has proposed, cashbook and group ledgers among others. This training is and cannot be done by proxy or representation. In other words all treasurers and secretaries must attend. They are the custodians of group records.

The status of the CBOs/Groups visited are shown on the table below:

Date	Name of Group	No. of members	Location	Registration status	Bank A/C	To be done
27/7/04	LAMP	5 groups	Lari Division	Registered with MCSS	Yes	Meet group members at their meeting venues for final group appraisal. Thereafter issue loan applications and disburse loans.
29/7/04	MTMO	5 groups			Yes	Meet group members for final group appraisal Thereafter issue loan applications and disburse

						loans.
4/8/04	BIAF	3	Busia District	Registered with MCSS	Yes	Meet group members at their meeting venues for final group appraisal. Thereafter issue loan applications and disburse loans.
24/8/04	Katanga Focal area	104	Kalama	Registered with MCSS	Yes	Issue loan applications & make loan disbursement of seed, fertilizer & other farm inputs to farmers ASAP to be able to capitalize on early rains
25/8/04	Muikakie SHG	126	Kalama	Registered with MCSS	Yes	Issue loan applications & make loan disbursement of seed, fertilizer & other farm inputs to farmers ASAP to be able to capitalize on early rains
26/8/04	Iyuni Catchment Women Group	15	Kalama	Registered with MCSS	Yes	Issue loan applications & make loan disbursement of seed, fertilizer &

						other farm inputs to farmers ASAP to be able to capitalize on early rains
26/8/04	Kalama Donkey Users Association	39	Kalama	Registered with MCSS	Yes	Issue loan applications & make loan disbursement of seed, fertilizer & other farm inputs to farmers ASAP to be able to capitalize on early rains
26/7/04	Kitonyini Agricultural SHG	29	Kalama	Registered with MCSS	Yes	Issue loan applications & make loan disbursement of seed, fertilizer & other farm inputs to farmers ASAP to be able to capitalize on early rains

21–23 8/04	SCAPA	5 groups (with a total of 85 members)	Mkono & Ngorbob – Arusha Tanzania	3 are registered	Yes	<ul style="list-style-type: none"> • To translate all documents into Swahili • Develop CBO structures to facilitate back-up and
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						follow-ups <ul style="list-style-type: none"> • Issue loan application to registered groups. • Follow – up and meet groups that were not met for final appraisal • Issue loan applications
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3. CONCLUSION

Kendat can rest assured that the target communities are eager to embrace the proposed micro finance activities. Indeed, the market for the micro finance activities seems quite big with request already coming in for business loans.

To strengthen the efforts undertaken so far, I propose that the following activities be programmed for immediate execution:

- a) As in the case of CA groups - apart from three in Arusha that are yet to be visited for final appraisal, the RTS groups should be visited for final appraisal and confidence building in their respective meeting venues. During these meeting a lot of queries on the *modus operandi* are raised and answered. Sometimes it is basic issues that require clarification. Failure to do this might leave very pertinent issues an answered and therefore cause problems in future. Savings is a very sensitive issue, and more so when it involves the poor. These guys are "untouchables". If you do it is better not to ignore any single step a long the way. They must be involved in their own right and in every aspect from appraisal, design, implementation etc.
- b) Workshops for training on record keeping should be organized for all the group and CBO officials. These workshops will be at the respective regions to ensure maximum participation. The skills acquired will be for ensuring accurate and appropriate records are maintained at both the CBO and group levels. This is urgent since loans are due to the groups any time

from now. Kendat accountant and I will be the lead facilitators in these workshops.