

DISAGGREGATING THE EMPOWERING ROLE OF NEW ORTHODOXY MICRO CREDIT SCHEMES AT THE HOUSEHOLD LEVEL: THE EXPERIENCE OF PRIDE TANZANIA

*Josephat Stephen Itika**

INTRODUCTION

This article presents and discusses the extent to which new orthodoxy approaches to small enterprise promotion empowers households. The term "New Orthodoxy" refers to policies and practices that advocate and embrace the philosophy that credit provision for poverty alleviation should be guided by market forces alongside the creation of a conducive environment for institutional capacity building and enterprise culture. The word "entrepreneur" is used loosely to imply any person who owns and manages a micro enterprise or income generating activity.

Empowerment is conceptualised as a process of creating opportunities and motivation for seeking and sustaining better life for households and PRIDE is an international non government organisation that provides credit for income generating activities based on the Group Lending Model.

This paper is part of an ongoing study using multiple methodological approaches including focus groups discussions and case studies. At this level, the paper presents and discusses initial findings based on a questionnaire distributed to 146 PRIDE customers, interviews with the branch manager and 2 credit officers between July 1999 and May 2000.

The objective of the survey was to find out the extent to which PRIDE scheme was enabling micro entrepreneurs to take more control of their livelihood at the household level. The indicators of empowerment were determined in terms of a comparison between those who had employment before the credit and after the credit, categories

of enterprises owned, income before and after credit, categories of expenditures, and problems encountered in the process of loan application, management of enterprises and repayments

The findings suggest that PRIDE programmes have empowered households through employment creation, better income, education, health, acquisition of assets and accommodation, though there were also comparatively few cases of disempowerment. The limitation of credit was that the empowerment process seemed to be non - sustainable because the types of businesses and income earned were for mere survival.

Therefore, although micro enterprise promotion initiatives are vital for the survival of poor people, the study indicates that they cannot be a foundation for a strong economy at least in the foreseen future. We need more substantive investments that could also promote small enterprises through practices like subcontracting. At present, PRIDE Tanzania has been providing services to only urban centers. There is a room for research aimed at finding out an appropriate institutional framework for extending credit to the rural areas through collaboration with other financing agents in the rural areas in order to reduce multiplication of efforts.

Part 1 of the paper provides an overview of macro policy trends globally and in Tanzania. Part II is on information about PRIDE and the problem area. Part III is methodology used. Part IV is the presentation and analysis of the findings. Part V is on emerging issues and conclusions. The last part discusses the policy implications and areas for further research.

THEORETICAL BACKGROUND

Macro Policy Thinking and Trends: From Conventional to the New Orthodoxy

Initiatives to improve income for the poor through

* *Mr. Itika is Lecturer and Principal Researcher at the Institute of Development Management Mzumbe Tanzania.*

the creation of employment opportunities and provision of holistic packages like cheap credit and training were fashionable in the 1960s and early 70s. These development interventions were initially state and donor driven. Modernisation discourses of the time (Brett, 1979, Todaro, 1985) and the success stories of Western economies were part and parcel of the theoretical foundation for massive state supported programmes in poor countries. For example, the government of India established various small scale industries with the objective of creating employment and income for the poor (Chuta and Sethuraman, 1984; Suri, 1988). More tangible efforts to improve incomes of the poor were the establishment of employment guarantee schemes during slack periods (Gaina, 1996).

These development interventions started to face serious constraints particularly from 1970s onwards due to among others the world economic crisis. The collapse of development programmes and projects and increasing population meant less employment and income for the poor. Employment and income outside the formal sector became a potential area for improving welfare of the reserve army of unemployed people particularly in urban centres. The phrase 'informal sector' began to appear in small enterprise discourses where little investment could earn a living (Hart, 1973). This called for a better policy understanding of the role of small enterprises by then referred as "informal sector" in framing employment creation policies. The ILO mission to Kenya to explore opportunities for small enterprise promotion, was partly the result of the Ghana urban studies carried out by Hart in the 1970s in which work outside the wage sector was seen to be a viable area of employment and income generation (ILO, 1972). The search for employment and hence income from the informal sector was taken to be a sign of weakness of the modernisation theory in guaranteeing economic growth and welfare for the majority of the population. Modernisation was replaced by Neo-liberalism. That is advocacy of market-driven allocation of resources in the economy and rolling back the role of the state in direct economic and social activities.

THE NEW ORTHODOXY: THE BIRTH OF HARD NOSED SMALL ENTERPRISES INTERVENTION PRACTICES

Within the above wave of economic theories and crisis, ameliorative measures were taken in terms of a process of gradual shift from the conventional development assistance for the poor to what is commonly referred to as the "New Orthodoxy" approaches to small enterprise promotion" (Panayiotopolous and Gerry, 1991; 1995; 1997). That is, in addition to governments and donors, NGOs emerged strongly to collaborate and facilitate strategies towards support for and creating enabling environment for entrepreneurial and institutional development rather than often uncoordinated massive development Programmes (Panayiotopolous and Gerry, *ibid*). This called for pushing hard in the direction of creating an enterprise culture and sustainable institutions to cater for the needs of the poor through the arm of the market.

Therefore the market determines the nature of the enterprise, individuals or groups to be supported in economic endeavours. These ideas correlate closely with "ten tentative statements" put forward by Harper (1990) on letting the market allocate credit than dishing out free or cheap money to micro entrepreneurs who were in most cases "unaccountable entrepreneurs." It is in this context that the promotion of small enterprises began to change and parallel neo-liberal thinking (New Orthodoxy). The World Bank, IMF, bilateral donors and NGOs became more concerned with promoting market based potential entrepreneurs and indigenous institutions (Panayiotopoulos and Gerry, 1997; Harper, 1990; World Bank, 1993). Where credit was provided the criteria increasingly became the ability to meet market conditions and not otherwise. There are now strong arguments for the new orthodoxy and widely supported by aid agencies and NGOs across the world. Today there are thousands of small and micro credit institutions operating as a result of embracing and celebrating the new orthodoxy paradigm in facilitating income generation activities after initial success of the Grameen Bank Credit model for lending to the poor.

Although theory and empirical evidence suggest that the New Orthodoxy approach to small enterprise promotion is doing a good job, there is also skepticism about its impact on empowerment and future sustainability (Panayiotopoulos and Gerry, 1997; Goetz and Gupta, 1990; Montgomery, 1995; Kane, 1996; Hulme and Mosley, 1997). Many criticisms centre on the limited power of tiny businesses and income to stimulate economic growth as well as the increasing tension and conflicts among individuals involved in the business and even among members of the family. The question is whether these shortfalls are necessary evils.

Economic Hardships, Policy Trends and the Growth of Small Enterprises in Urban in Tanzania.

The policy trend on small enterprise development goes back to the time before independence, but the most striking and important period in the evolution of contemporary small enterprises in Tanzania is from 1974 onwards. From 1974 the Tanzania economy experienced a downward trend in growth as was the case in other countries. There was famine that reduced crops for food and export. High costs of running integrated rural programmes, falling prices of exports, increasing prices of imports especially oil and the collapse of the East African Community were other major factors (Mulokozi, *et al.* 1989; Ndulu, 1987). The war with Uganda (1978-1979) came at a time when the country needed every single penny for development. The cost of the war amounted to about 4 billion Tanzanian Shillings, equivalent to one years export earnings excluding other costs such as production disruption (Ndulu, 1987:11). As a result of growing hardships and scarcity, the few who had established small enterprises strengthened their positions while many others joined them. The increasing shortages of goods forced prices up reducing the value of real wages and consumer incomes. Reacting to the crisis the government introduced "The Price Commission" with the objective of controlling prices of goods in the country. This strategy did not make things

better. Bagachwa and Malyamkono (1990) and Tripp (1990) have observed that price controls accelerated the hoarding of goods and their sale through informal channels that appeared as the "second economy." Small enterprises were mushrooming in every corner of the country particularly in the urban centers. Along streets and illegal premises one could see people producing and selling soap, kerosene lamps, furniture and food staffs. Due to economic hardships many people were migrating from rural areas to town centres in anticipation of getting better life opportunities. The increasing number of people in cities and towns without jobs was an embarrassment to the ruling party and government. In 1983 the government enacted "The Penal Code Amendment Act" which banned from the cities all "idle and disorderly" persons (Shahid, in Tripp, 1995:57). This act was followed by "Human Resources Deployment Act" that made it an obligation for all workers to be registered and be given identity cards. Other people without formal jobs were categorised as loiterers because they had no formal working identity cards. The late President Nyerere ordered the late Prime Minister Edward Sokoine to deal with the matter seriously or as he put it; "if we do not disturb loiterers they will disturb us" (Tripp, 1990:57). It is interesting to note that the ruling party and the government tried to avoid the problem of shortages and unemployment by pushing people to rural areas where they would be out of sight. Unfortunately even those with gainful activities like shoe shiners, cart pushers and food vendors were also included in the group of "loiterers" and expelled.

Macro Economic Measures to Address the Crisis and Revamp Small Enterprises

The recognition that macro economic environment constituted part of the Tanzania economic crisis called for macro policy measures from 1982 onwards (Kazaura, 1995). Structural Adjustment Programmes were introduced in 1982/83-84/85) and evolved as Economic Recovery Programme 1 (ERP1; ILO/UNDP, 1992). At this

initial stage, some of the measures adopted were;

- Partial external trade liberalisation, through the own-funded imports scheme aimed at boosting the availability of incentive and intermediate goods to induce increased production;
- De-control of prices and the reduction of restrictions particularly for imported goods, in order to allow traders to address scarcity and to operate on free market basis; and
- To raise and sustain agricultural real producer prices (Ndulu, 1995:9- 10).

The fruits of these policies started to appear in 1983/84 when the country was flooded with imported goods particularly second-hand clothes and luxurious items. It was only after the coming to office of the second phase government in 1985 that a more positive attitude towards small enterprises developed especially after the adoption of the International Monetary Fund supported adjustment packages in 1986. This was the year that marked a second phase of adjustment programmes (ERP2 1986-1989) that led to the implementation of a series of measures including;

- Liberalisation of prices;
- Liberalisation of exchange rate;
- Increase interest rate;
- Removal of subsidies; and
- Investment promotion and institutional reforms (Kazaura, 1995: xii).

Although the small enterprise sector has been operating within these difficulties, as a general comment, they have been growing exponentially. According to a survey conducted in Tanzania by ILO (1991), 95% of the informal businesses were survival activities with limited growth potential, but surprisingly they contributed about 32% of GDP with average return on investment of 330% (Schulz, 1995:5). The explanation for this was that although they contributed 32% to the GDP they were actually only meaningful when taken in totality. The analysis of cash incomes based on the 1969 and in 1976/77 household budget

surveys, the 1979/80 ILO survey, and Collier *et al*, survey of 1982/83 compiled by Brink (1993) show that the proportion of non farm cash incomes per house hold rose from 25% in 1969 to 33% in 1977, then 38% in 1980 and 47% in 1983 (Brink, 1993: Table, 150). From the findings the authors concluded that about 87% of all households had some cash income from micro enterprises. The magnitude of informal enterprises was found in a study conducted in 1991 by the United Republic of Tanzania with support from the UNDP and ILO. In that study, it was estimated that the total number of small enterprises was 1,154,136 employing 1,419,277 persons that accounted for about 60% of total mainstream employment. In fact many of the "small" enterprises were self-employment activities. Further to that a more recent study (URT, 1993a) showed that one out of four had at least one person who was self -employed.

Some of the reasons for the growth of small enterprises include a serious collapse of formal sources of income and goods during the economic crisis that forced people to look for other means of survival. The tremendous growth of micro enterprises was also the effect of the economic policies adopted from the 1982 which, according to Bagachwa, in Msambichaka, (1995:26) opened the doors for the enterprising culture.

Apart from the beautiful face of small enterprise development, there were also criticisms to the effect that market led programmes were not always good to all customers. A research conducted in the Coast region of Tanzania revealed that when potential women were asked to come up with proposals so that they could be given loans, many reacted negatively (Ogola, 1986). There was apparent fear of going to jail for failing to repay the loans or losing the little property they had acquired after a long time of hardship. Their fear should not be totally dismissed because there are experiences like in Bangladesh (BRACCA) where group pressure for loan repayment included confiscation of property and social isolation which were detrimental to the very poor. But at household level they were tiny for any significant impact or substantial growth.

AN OVERVIEW OF PRIDE AND THE PROBLEM AREA

PRIDE is a short term for Promotion of Rural Initiatives and Development Enterprises. It is a non governmental organisation established to promote rural initiatives through credit facilities. PRIDE uses the basic principles of the Grameen Model (Yunus, 1989) to provide credit to small businesses and income generating activities. Grameen Model is a micro financing system and a bank for small enterprises that was initiated, developed and managed by a Professor of economics – Mohammad Yunus of Bangladesh in 1976. The model relies on group self-discipline and peer pressure as collateral. It employs new the orthodoxy paradigm in both theory and practice. “That is let market forces” allocate credit to micro entrepreneurs contrary to conventional practices of dishing out cheap credit. Individuals who need credit are assumed to have established their own small businesses and credit is only needed for “putting power where it is not enough” and not to “initiate power” from powerless individuals. Therefore, entrepreneurs who are ready for credit organise themselves into groups of fives and appoint their own leadership. Ten different groups of fives form a federation with a central leadership. After initial training on loan management, they apply for a loan. Initial disbursements go to only two members in each of the five groups. The loan is serviced weekly and it is only when there is no default that other members can borrow. Leaders of the groups are the last to receive the loan. Assets owned are also used as collateral.

PRIDE Tanzania is a branch of PRIDE Africa that started to operate in 1989 in Baringo Kenya and a branch was opened in Arusha, Tanzania in 1993. PRIDE is supported by the Norwegian Agency for Development NORAD on the behalf of the Dutch Royal Government and the government of Tanzania. The main objectives of PRIDE are to:

- Develop the institutional capacity of a Tanzanian non governmental organisation (NGO) to deliver credit to the informal sector;

- Create a mechanism for future resource flows to the lower end of financial market;
- Initiate the building of regional intermediaries;
- Increase incomes and employment for informal sector entrepreneurs and develop a culture of saving (PRIDE, 1993:2)

PRIDE Tanzania’s model involves five (5) members who form an Enterprise Group (E.G.) who form a federation of a bigger group called Market Enterprise Committee (MEC). Each MEC is formed by (10) Enterprise Groups. Therefore, each MEC has 50 members. Each E.G. has a chairman and secretary for the group. The chairmen and secretaries of ten EGs form an executive committee for the MEC. The MEC executive committee elects the management team that coordinates their MEC with the PRIDE credit officers for registration and formal involvement in credit application processes.

The following is the credit acquisition procedure:

- Step 1:** The first week is used to train MEC members on the principles and good practices of the PRIDE model.
- Step 2:** In the second week, after registration, each member starts paying Tshs. 1000 as Loan Insurance Fund (LIF). This amount has to be paid during weekly meetings without default as a security throughout the membership period.
- Step 3:** Continuous training in the third week
- Step 4:** The third week is also used for inter group visits. Members visit each other to familiarise with each others’ enterprises and assess their viability.
- Step 5:** In the sixth week, twenty (20) members fill the loan application forms.
- Step 6:** Loan appraisal by credit officers in the seventh week
- Step 7:** The first loan amounting to fifty thousand Tanzania Shillings (50,000) is disbursed to the 20 members, 2 from each EG in the eighth week.
- Step 8:** Ten (10) secretaries of the MEC and other ten (10) members fill loan application forms in the tenth week.

- Step 9:** Loan appraisal by credit officers in the eleventh week
Step10: Loan disbursement to 20 members in the twelfth week
Step11: Chairpersons of MEC and ten remaining members fill loan application forms in the thirteenth week
Step12: Loan appraisal in the fifteenth week
Step13: The last batch in the MEC receives loan

The process starts again but after nine months of successful operations the responsibility of managing all financial transactions remain in the hands of EG chairpersons and MEC meets only once per month. The PRIDE credit model has undergone continuous modification under the support of the Regional Enterprises Development Institute (REDI). The Institute was established in Arusha in 1994 to provide training for all levels of micro finance personnel and to develop computerized systems for credit delivery and loan tracking. Through REDI PRIDE Tanzania has recently developed modalities for extension of credit ceiling to three million Tanzanian Shillings. PRIDE customers have been growing exponentially over years. For example in Dar es Salaam alone the impression seem to provide a tremendous job done by Pride to provide working capital to thousands of micro entrepreneurs. For example in 1998 alone, 29,411 individuals received loans amounting to TShs 2,323,200,000 with a maximum upper ceiling for loan disbursement to an individual being one million shillings. Due to increasing demand for loan and excellent repayment rate close to 100%, PRIDE has raised its loan ceiling from one million to three million shillings.

The figures seem to suggest that these micro entrepreneurs have made a difference in their lives as individuals or households, and perhaps some on a sustainable basis and others on a temporary basis. Making a difference in ones life means engaging in a process of getting opportunities and motivation to seek for and maintain a better life. This is what empowerment is all about. Better health, education, accommodation, group and family harmony, and business growth are the

fundamentals or indicators of increasing empowerment. PRIDE probably assumes that as long as more people are applying for credit and loan repayment is 100%, then their programmes are empowering individual households. While this may be true, we lack specific evidence on what happens on the ground . What has not been explained is the disaggregated impact of credit to the household in terms of earnings and patterns of expenditures as a process of empowering.

The purpose of the research was to assess the extent to which PRIDE credit facility, based as it is, on the new orthodoxy principles had empowered households in terms of the types of businesses operated, size of employment creation, money earnings, patterns of household expenditures and business and plans for business expansion/diversification in Morogoro Municipality.

BACKGROUND TO PRIDE-MOROGORO

PRIDE Morogoro started to operate on 4th, July 1996. The first batch of credit amounting to Tshs. 950,000 was issued to 19 members on 24th September, 1996. The number of customers by then was 350 people. By the end of May 2000, PRIDE-Morogoro had 2,000 members receiving credit sizes ranging from 50,000 to 3million Tanzanian Shillings. Repayment had improved from 99% to 100%. PRIDE-Morogoro had six (6) employees. The branch manager, four credit officers, and two support staff.

Objectives of the Study

The Objectives of the research were to:

- ☉ Identify occupational status of micro entrepreneurs before credit;
- ☉ Identify income levels before and after credit;
- ☉ Identify categories of businesses;
- ☉ Find out how incomes were used at the household level;
- ☉ Find out plans for business expansion; and
- ☉ Identify problems facing entrepreneurs.

2.4 Research Questions

The following were the research questions:

- What were the occupations of micro entrepreneurs before applying for loans?
- What were the categories of enterprises dominating micro enterprise sector?
- What was the difference in average incomes levels before loan and after loan?
- How was the income distributed across different types of expenditures?
- What were the problems faced by micro entrepreneurs?

in the case of PRIDE officials based on their positions and knowledge on specific issues, they were purposefully targeted.

Table I: Sample Size and Composition by Sex

SEX	NO	%
Male	61	41.7
Female	85	58.3
TOTAL	146	100

METHODOLOGY

The choice of Morogoro was based on a number of reasons. First, Morogoro was initially one of the industrial giants in the country. A substantial number of agro-industries were built in Morogoro as part of the industrialisation process in the country in the 1970s. The industries attracted many people from other places as job seekers. As in many other developing countries which failed to manage state owned enterprises most of these industries collapsed with massive layoffs of the labour force. Most of the ex employees turned to micro enterprise activities and small -scale agriculture in the nearby villages. With extremely limited source of capital the PRIDE intervention surely came at the right time. It was therefore important to find out whether PRIDE was making a difference in the lives of the increasing micro entrepreneurs.

The population of the study was 1500 customers but the sample size was one hundred and fifty (150) customers. It was only one hundred and forty six (146) people who responded to the questionnaire. This was a reasonable sample size because as said earlier, the aim was to establish pointers on the empowering process and areas for further study that could cover a larger sample. Others who were involved in the study were the PRIDE-Morogoro Branch Manager and two (2) credit officers out of four (4). The sample of 150 customers was obtained randomly although there were few cases in which some respondents did not fill the questionnaire. In this case a replacement was made purposefully. Simple random technique was used in order to give equal chance of representation for each respondent, but

Source: Extracted from questionnaire

Data was collected from the customers through Kiswahili written self-administered questionnaire. The researcher visited the PRIDE office in Morogoro where the customers met for their weekly installments and training on how to manage their loans. With the assistance of PRIDE credit officers and support staff, questionnaires were distributed to different MEC members. Questionnaire was important in this type of study because it was almost impossible to get an opportunity to interview a significant number of customers during their meetings. It was also unworkable to trace individual customers and their enterprises because they were scattered and not fairly accessible. Some had no business premises and still others did not do business at all. It was alleged by some PRIDE officials that some customers took loans purporting to use for business purposes when they had no business but used other means to service their loans like support from their spouses. Still others were registered, as doing business “A” but the truth was that they were doing business “B.” Therefore it was impractical given the limit of resources to use interview (with an exception of PRIDE staff) to supplement questionnaire for soliciting information from the customers.

The questionnaire focused on sex, age, initial occupation, size of income, business type, revenue per month, net profit after deductions for loan servicing, income use, problems experienced in the business and opportunities for growth and expansion. Interview was used to get general information from the PRIDE officials. The

type of information was the general background of PRIDE Morogoro, entries, exits and their reasons, and the role of credit in improving customers' welfare or expansion of their businesses. Documents were also used. These were speeches, reports, leaflets and weekly loan portfolio files. These were used to gather information on registration, loan application procedures, the PRIDE model, loan disbursements and recoveries.

HOUSEHOLD EMPOWERMENT: THE FINDINGS

On Previous State of Employment

The previous state of employment was categorised into three types: formal employment, self-employment and none.

Table 2: Previous State of Employment

PREVIOUS STATUS	NO	%
Formal Employment	56	40
Self Employment	24	17
None	60	43
Total	146	100

Source: Computed from questionnaire responses.

From table 2 it is apparent that the majority of the respondents were teachers and office secretaries. Others were ex-employees who had been retrenched. The self-employed included those who identified themselves as micro entrepreneurs and farmers. The last category that formed the majority of the respondents (43%), either failed to state their previous employment or classified themselves as housewives and therefore failed even to state their monthly incomes. Therefore although they might not necessarily be idle people, the fact is that credit support must have made a significant difference in their lives in terms of better employment and/or more income.

On the Type of Small Enterprises

There were 31 different types of enterprises. Most

of them were tiny income generating activities. The majority of the businesses were in the service sector rather than production. Therefore their contribution to economic growth in terms of additional input was minimal. Out of the 39 micro enterprises only 5 were involved in production even then with insignificant impact. These were brick making (1), furniture (1), carpentry (4), poultry (10), and dairy (2). The remaining were service oriented. Kiosks were the most popular (26) followed by "genge" (16). "Genge" is a local terminology used to refer to goods to be sold arranged on a simple table in a market place, along a street or in front of the owner's house. In most cases various types of goods are arranged in piles in the same table though there are also cases where only one type of good is sold, e.g. oranges, bananas etc.

Income Levels Before and After Credit

Customers without or who could not state previous income levels were 31 out of 146 but were substantially well off financially after the loan. 7 customers were worse off. In general the percentage of the income generated which was returned to PRIDE (interest, loan insurance and savings) ranged from 5% to more than 100%. This does not mean that the income was generated by the loan from PRIDE alone because it was difficult to establish the other sources due to poor record keeping. As a general observation the additional capital from PRIDE should have played a significant role in the realisation of better revenues. Again it does not mean that the entrepreneurs were able to save the money from the business up to the end of the month. Some or all the revenue generated might have been used for many other expenses including running costs of the businesses. The amount of revenue accruing to households also depended on the percentage of revenue that went to debt servicing. Although that amount included savings for the entrepreneur, if it was only a small amount that remained for general expenditure and business growth, the chances that the household could suffer and even affect the sustainability of the business would be high.

Table 3: Debt Servicing as a Proportion of the Income Generated From the Enterprises*

CLASS INTERVAL*	FREQUENCY	%**
0-10	5	4
11-20	33	23
21-30	28	20
31-40	23	16
41-50	17	12
51-60	9	6
61-70	9	6
71-80	3	2
81-90	8	6
91-100	1	0.007
101- Above	7	5
TOTAL	142	100

* Indicates class average percentages as part of the revenue generated in a month that goes for loan servicing, interests, insurance and savings
 ** Means the percentage of people who fall under that category of class interval.

Source: Computed from questionnaire

Distribution of Income Across Different Categories of Expenditure

This item looked at whether the customers were working for PRIDE rather than empowering themselves. The leading question was “what categories of expenditure did the households

Table 4: Patterns of Household Expenditures

	Consumption	Permanent Assets*	Education	Health	Rent	Expansion**
N0	112	18	47	17	15	145
%	44	7	18.5	7	5.9	99.9

Assets*: Residential Houses in the process of construction and acquisition of farm plots.
 Expansion**: Plans to expand or diversify their present businesses. All of them depended on applying for more loans and NOT out of capital accumulation and growth.

Source: Computed from questionnaire

manage to meet only and only because they had taken loan from PRIDE for promoting their enterprises?”

Responses indicated that incomes were spent on different categories of expenditures. Forty four percent (44) of the respondents indicated that they would not have been able to afford meals without the micro enterprises, followed by education 18.5%. Others were acquisition of permanent assets 7%, health 7% and ability to pay rent 5.9%. Almost all the respondents showed ambition to expand their businesses in terms of size or shift to a different type of business. Perhaps as one would expect strategies for business expansion and/or diversification were based on the expectation of acquiring more credit than savings from the current business. There was only one person who indicated frustration and planned to quit the PRIDE programme because of inability to manage business and meet PRIDE conditionalities.

Problems Faced by Customers

To answer this question the researcher used both questionnaire and interview methods of data collection. Both respondents (customers – through questionnaire and officials through an interview) gave answers falling into several categories:

- Limited capital;
- Too strict weekly installments;
- Failure to run businesses profitably;
- Lack of commitment from some of the group members;
- Extended families;
- Healthy problems;
- Death.

These are typical problems experienced elsewhere in the literature and other empirical studies in small enterprise financing. However, what emerged and indeed out of expectation was the magnitude of social problems at family and group level.

Contrary to Montgomery's (op. cit.) argument, which was based on a study conducted in Bangladesh that peer pressure, confiscation of property and social isolation was a serious problem in group lending models, most customers did not feel that family and group based problems were significant threats to their businesses. It was only 5.9% of the customers who felt that they were experiencing problems from members of their groups. About 11% of the respondents indicated that family problems were seriously affecting their businesses making a grand total of 16.9% of the sample.

EMERGING ISSUES, DISCUSSION AND CONCLUSIONS

The policy trend from conventional to the new orthodoxy approaches to small enterprise financing has shifted from supporting large masses of poor through "welfare" credit to those who can afford competitive market demands. The objective of improving the welfare of the poor has remained the central focus in the new orthodoxy approaches though 'the poorest were ignored. Empowerment through credit has taken the form of increased employment, more income and expenditures on consumption items, education, health e.t.c. while few families were worse-off.

Therefore credit through PRIDE is empowering households significantly and the few cases of worse-off households is normal and acceptable in a competitive market environment. Whether empowerment is through their small enterprises is something that we are not certain. There is some ambiguity particularly when there are tremendous success stories among a few households like being able to construct family houses. Some PRIDE officials had the opinion that some individuals seemed successful but they were not genuine micro entrepreneurs in that

sense of how they identified themselves when applying for loans. Some people seemed to have no businesses at all. The PRIDE officials gave the example of a person who needed a residential plot but who could not accumulate enough money to buy one. He/she could join PRIDE and use the loan to buy a plot. Other means like salaries were used to service the loan because it was easier to make little savings every week. When there was enough to clear debts one could just quit the group. Others claimed to be food vendors and needed a very small capital. Therefore a sizeable amount of loans was used to purchase fixed assets. Therefore to assume that every successful micro "entrepreneur" is doing the actual business is misleading.

For losers the leading cause was not clear. For example was it the problem of PRIDE's lending policies or family, group, type of business one was doing, personality weaknesses or what? This suggests that there were a multiple factors. The PRIDE officials acknowledged that there were some members whose assets were sold in order to recover credit but this was an extreme case. This happened because one family pretended to be a group of independent members. The children squandered the money including using it to pay dowry. When the problem was critical the wife had to run away, while other children disappeared as well. The only way out was to auction family property. It was also noted that group members had considerable sympathy for genuine difficulties of their colleagues. In some cases group members decided to shake off a member who they felt that was not accountable to the group. The easy way was to retire from PRIDE membership, and in the following week another member is recruited to fill the gap and register as a new group. Therefore it was very difficult to know the actual drop-outs and new entrants to the programme but on average the number of entrants was almost twice as much as the number of the exits. Although we found out that customers apply for loans and make repayments it was difficult to know what was going on at the ground level in terms of empowering from the time when credit is secured to the actual business transaction, repayment and exits. What we noted was the output – i.e. a better or worse life.

There is also the question of sustainable empowerment. There are three dimensions in this area, namely:

- The first has to do with the type of businesses. As seen from the data, most of the enterprises were tiny service provision oriented, with limited growth and expansion. This suggests that most of the micro entrepreneurs may not be able to expand their businesses for vibrant economic growth. They are vulnerable to extreme poverty if faced with just normal health or economic hardships.
- The second dimension is the pattern of expenditure. Our data indicates that 112 households could not afford even their normal meals without their micro businesses. Therefore most of the income was spent on consumption that left insignificant amount for saving although better consumption is also part of empowerment.
- The third is on expanding their businesses. All the entrepreneurs felt that PRIDE had to provide credit for expansion. This was dangerous thinking because it encouraged dependency and stifled thriftiness that is necessary for business growth.

POLICY IMPLICATION AND AREAS FOR FURTHER RESEARCH

Empowering households through credit based policy similar to what PRIDE is doing although it seems to be empowering, is just a palliative solution to underlying economic problems. We need stronger poverty alleviation and general economic growth policies alongside credit facilities including job creation for employment in order to raise peoples' purchasing power. Although the current policy trend dictates marginal role of the state in job creation, we still need at least protective policies for relatively large local manufacturers and businessmen who can create employment. That is:

- First, protective policies will enable local manufacturers to be more competitive and therefore employ more people which will in turn increase peoples' income and hence

more money circulation.

- Second, protection will create market opportunities for other local manufacturers and service providers including micro entrepreneurs.
- Lastly, PRIDE is registered as an NGO for promoting rural initiatives but ironically it has not been able to establish any branch in rural areas. It is now time for PRIDE and other urban-based micro financing NGOs to develop mechanisms for extending credit to the millions of needy people in rural areas. For this initiative to be feasible and viable, there is a need of finding an institutional framework for providing credit to rural areas without duplicating efforts through unnecessary and costly credit schemes. This could mean developing some kind of partnership between different credit institutions and other intervention agencies like community based organisations. This is a reach area for further research. The conclusions should be verified by conducting a more rigorous study including the improvement of the methodology.

BIBLIOGRAPHY

- Atema, M. and Panayiotopolos, P(1995); "Promoting Urban Informal Enterprises. The Case of the Action Aid Kenya Kariobangi Savings and Credit Programme." *Papers in International Development* No 15. CDS. Swansea
- Bagachwa, M. (1995); "The Informal Sector Under Adjustment in Tanzania". In Msambichaka *et al.* (eds.) *Beyond Structural Adjustments in Tanzania: Success, Failures and New Perspectives*. Dar es Salaam, Dar es Salaam University Press/ERB.
- Bagachwa, M. (1996); "Financial Linkage and Development in Sub Saharan Africa. The Role of Financial Institutions in Tanzania." *Working Paper* No. 87 ODI
- Bagachwa M. and Malyamkono, T.(1990); *The Second Economy in Tanzania*. London: James Currey
- Brett, E. (1984); *The World Economy Since the War. The Politics of Uneven Development*. London: Macmillan
- Bruce, J (1989); "Homes Divided. The Conflict in the Household." *World Development*. Special Issue. No 7 Vol. 7

- Brink, (1993); "Small Scale Enterprise Promotion in Tanzania: A Report." Dar es Salaam: Government Printer
- Clark, J. (1990); *The Impact of Structural Adjustment Programmes in Africa*. Oxfam.
- Chuta, E and Allal, M. (1982); *Cottage Industries and Handicrafts. Some Guidelines For Employment Promotion*. Geneva: ILO
- El - Jedian, Y. and Panayiotopoulos, P. (1996); "Small Enterprise in the Gaza Strip." *Third World Planning Review*. November
- Gaina, R. (1996); "Wages, Participation and Targeting: The Case of Employment Guarantee Scheme in India." *Journal of International Development*. Vol. 8 No. 6
- Gerry, C. (1974); "Petty Production and the Urban Economy: The Case Study of Dakar." *World Employment Programme Research Working Paper*. Geneva: ILO
- Gerry, C. (1987); "Developing Economies and the Informal Sector in Historical Perspective." *The Annals of the American Academy of Political and Social Science*. No. 493. New York.
- Goetz, A. and Gupta, R. (1996); *Who Takes the Credit: Gender, Power and Control*.
- Harper, M. (1984); *Small Business in the Third World*. Chicago: John Wiley and Sons
- Harper, M. (1990); *Finance for Small Enterprises - Ten Tentative Commandments Small Enterprise Promotion: Making it Work*. London: Aga Khan
- Harris, J. (1990); "Linkages Between the Formal and Informal Sector in Developing Countries. A Review of Literature". *World Employment Programme Research Working Paper*. Geneva: ILO
- Hart, J. (1973); "Informal Income Opportunities and Urban Employment in Ghana." *Journal of Modern African Studies*. Vol. 11
- Hulme, D. and Mosley, P.(1997); *Finance Against Poverty*. London: Routledge Keegan
- Hulme D. and Montgomery, R. (1995); "Co-operative Credit, the Poor and Self Interest." *Papers on Finance for Poverty*. Manchester and Readings Universities.
- ILO (1972); *Employment, Income and Inequality. A Strategy for Increasing Production Employment in Kenya*. Geneva: ILO
- ILO (1991); "The Dilemma of the Informal Sector in Tanzania: A Report." Geneva: ILO
- ILO (1993); "Income Generating Activities in Tanzania". Proceedings of a Conference on Small Enterprise Promotion. Arusha (Unpublished).
- Jazayeri, A. (1996); "Financial Service Associations. The Concept." *Small Enterprise Development. An International Journal*. Vol. 7 No. 2
- Kaduma, (1994); "Structural Adjustment in Tanzania. A Vision for the 21st Century." *Discussion Paper No. 68* Dar es Salaam: University of Dar es Salaam, ERB.
- Kane, (1996); "Micro Enterprise." *Grameen Dialogue Newsletters*. Chittagong: Grameen Trust.
- Kazaura, F. (1995); "The Economic Crisis in Tanzania. Paper Presented at the Workshop on "The Adjustment Process in Tanzania." Tanga: Mkongwe Hotel (Unpublished).
- Keddie. (1992); "Financial Services to Informal Sector Enterprises". Report to ILO. Dar es Salaam.
- Mabogunje, S.(1980); *The Development Process. A spatial Perspective*. London: Hutchison
- Montgomery, R. (1995); "Disciplining the Poor?. Avoiding the Social Costs of Peer Pressure in Solidarity Group Micro Credit Schemes." *Papers in International Development*. No. 12. Swansea: CDS
- Mosley, P. (1991); "Structural Adjustment. A General Overview". In Balasubramanyam, V and Sanjaya, L. (Eds.) *Current Issues in Development Economics*. Basingstoke: Macmillan
- Mulokozi, B. et al. (1989) "The Adaptation of Government in Economic Change. A case Study of Tanzania". In Belagun, J. and Mutahaba, G. (Eds.) *Economic Restructuring and African Public Administration. Issues, Actions and Future Choices*. AAPAM. Colorado: Kumarian Press
- Mramba, B. (1984) Rural Industrialisation and Self Reliance. The Case Study of Tanzania. In Sethuraman, F. et al.(1984) Sethuraman, S. and Chuta E.(Eds.) *Rural Small Scale Industries and employment in Africa and Asia. A Review of Programmes and Policies*. Geneva: ILO.
- Msambichaka, et al. (1995); *Beyond Structural Adjustment in Tanzania. Successes, Failures and New Perspectives*. University of Dar es Salaam. ERB.
- Ndulu, B. (1987); "Stabilisation and Adjustment Policies and Programmes. Country Study of Tanzania". *WIDER*. Dar es Salaam.
- Nyerere, J. (1968); *A Selection of Writings and Speeches from 1961-1967*. London: Oxford University Press
- Panayiotoplous, P. and Gerry, C. (1991); *Approaching Youth and Business: Entrepreneur Promotion Versus Sustainable Employment*. London: Commonwealth Secretariat.

- Panayiopolulos, P and Gerry, C. (1997); "Small Enterprise Promotion: Targeting the Youth: Experience From State Sponsored Programmes." *Papers in International Development*. CDS. Swansea, NO. 22
- Rostow, W. (1960); *The Stages of Economic Growth. An Anti-Communist Manifesto*. Cambridge: Cambridge University Press
- Suri, K. (Ed.) (1988); *Small Scale Enterprises in Industrial Development: The Indian Experience*. London: Sage
- Todaro, M. (1997); *Economic Development*. London: Longman.
- Tripp, A. (1990) "The Informal Economy and the State in Tanzania". in Smith, E. *et al.*(eds.) *Perspectives in the Informal Economy*. London: SEA.
- UNDP/ILO (1991); *Tanzania Informal Sector Survey*. Dar es Salaam. Tanzania Publishing House
- URT (1986); *Economic Recovery Programme*. Dar es Salaam: Government Printer.
- URT (1988); "Population Census. A Report." Dar es Salaam. Government Printer.
- URT (1990) "The Informal Sector Survey: Preliminary Report." Ministry of Labour and Youth Development. Dar es Salaam. Unpublished.
- URT (1992); "Rural Informal Sector Survey. (RISS)." Dar es Salaam: Panning Commision Report.
- URT (1993a); "Tanzania Mainland. Labour Force Survey: Report." Dar es Salaam
- UN (1996); *Informal Sector Development in Africa*. New York.
- World Bank (1991); "Small Enterprises in Tanzania. An Evaluation." Dar es Salaam. Unpublished.
- World Bank (1993); *World Labour Report: Employment*. Geneva. ILO
- World Bank (1996); "From Plan to Market." *World Development Report*. Washington DC. Oxford University Press
- World Bank 1996); *World Poverty*. New York. Oxford University Press