



**Case Study:
Akiba Commercial Bank
Tanzania**

Martin Brown, Swiss National Bank



Akiba Commercial Bank (ACB), Tanzania

- Founded in 1993
- Shift to Microfinance in 1998
 - Cooperation with Swisscontact
 - Initially group-based lending (1999)
 - Later individual lending and personal loans (2001)



Akiba in figures

	2005	2001
Clients	15'500	3'000
Staff	200	50
Loan Portfolio (Mio \$)	15 Mio \$	6 Mio \$
Savings volume (Mio \$)	25 Mio \$	5 Mio \$
Loan loss reserve	3%	10%
Return on assets	2.24%	--



The group-based credit scheme

- **Compulsory savings**
 - 2\$ - 6\$ per week
- **Credit**
 - 3x savings up to 1'100\$
 - weakly repayments
 - 1% interest per week (flat rate)
- **Mutual guarantee**
 - 6 clients form solidarity-group
 - 5-10 groups form „microfinance centre“
- **Meetings at ACB premises**

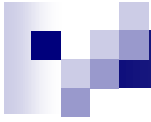






The study: reason and timing

- Impact of group-based scheme
 - demonstrate to donors that project is valuable
- July / August 2001
 - 24 months after inception
 - 1 branch
 - 1800 clients



The study: content

	Economic impact	Social impact
Business	<ul style="list-style-type: none">• turnover, profit• investment• employment	
Individual / household	<ul style="list-style-type: none">• expenses• investments	<ul style="list-style-type: none">• social status
Solidarity group	<ul style="list-style-type: none">• common resources	<ul style="list-style-type: none">• mutual support



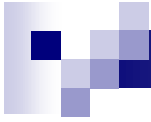
The study: method

- Interviews

- Structured questionnaire (AIMS)
- Random selection of Akiba clients
- After / before weekly meetings, 1 hour
- Local interviewers paid 5\$ per interview

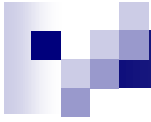
- Measuring change

- Recall method



Relating change to credit access

	Target	Control
Clients of ACB	yes	yes
Credit access	eligible for 12 months	not yet eligible
Business history	> 12 months	> 12 months
Savings profile	Low: 30 High: 30	Low: 30 High: 30
Observations	60	60



Sample

	Target	Control
Observations	60	60
Female	38	39
Median age in years	31-40	31-40
Retailers	45	38
Other services	13	21



Business impact: income

Average per month	Target group	Control group
Turnover*	685\$	533\$
Profit*	195\$	125\$

Access to credit leads to higher levels of turnover and profit



Business impact: structure

Business changes in last 12 months	Target group	Control group
Hired workers	5%	5%
Purchased tools	23%	27%
Investment in moveables	13%	20%

Access to credit does not change structure of business



Household impact - expenses

Increased expenses in last 12 months	Target group	Control group
Food*	38%	45%
Education	76%	69%

Access to credit does not raise basic household expenses



Household impact - investments

Housing improvements in last 12 months	Target group	Control group
Structure	37%	40%
Sanitation	22%	30%
Power	23%	30%

Access to credit does not increase household investment



Economic impact: summary

- Credit access leads to higher turnover and profit
- Changes level of business activity but not business structure
- Higher income does not seem to translate into basic household expenses or investment

?? where does the money go ??

- Working capital
- Savings: 100\$ -300\$ in 12 months



Social impact: status of women in household

Participation in household decisions	Target group	Control group
Daily expenses	95%	90%
Schooling*	63%	41%
Purchase of durables*	74%	41%
Housing investments	29%	28%

Access to credit improves social status of women



Social impact at credit group level

Sharing of	Target group	Control group
Change*	10%	22%
Material*	3%	13%
Information on prices	55%	53%
Information on inputs	43%	42%

Access to credit reduces dependancy on other entrepreneurs, but does not weaken information exchange



Summary

- Credit access raises level of economic activity but does not make substantial changes in structure of business
 - Short term / retailers
- Credit access improves social status of women at home
- Impact on household expenses and investment unclear
 - No structural differences in expenses / investment
 - Participation of women in decision making process
- Impact evaluation at household and business level require
 - Longer time horizon
 - More detailed qualitative studies