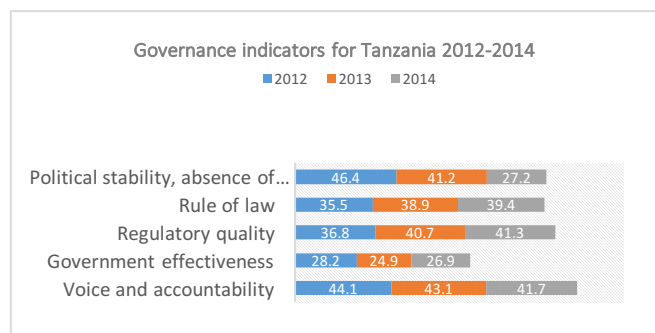


**PROMOTION OF WOMEN-RUN SMALL BUSINESSES BY EQUITY BANK TANZANIA:
LAUNCH OF FANIKISHA+ LOAN PRODUCT**

1. Development relevance

Country context: Tanzania is one of the world's poorest economies, with USD 930 per-capita income in 2014. It nonetheless achieved high growth in gross domestic product of 7% in the same year, driven by gold output and tourism. It has largely completed its transition to a liberalised market economy, although the government retains a significant presence in telecommunications, banking, energy, and mining. The economy depends on agriculture, which accounts for more than 25% of gross national product, 85% of exports, and about 80% of the workforce. The unemployment rate fell slightly from 10.7% in 2011 to 10.3% in 2014. Tanzania's economic freedom score is 57.5%, which ranks it 109th globally and 17th out of 46 sub-Saharan African countries in the 2015 index scorecard.

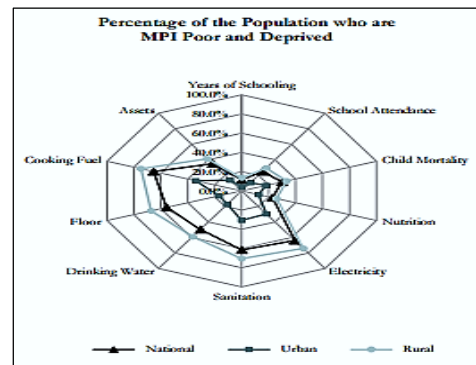
Population in million (2013)	50.2
GDP growth (average 2014)	7%
Inflation (average 2012-2014)	10%
Trade balance (% of GDP) (2013)	-13.2%
Foreign direct investment (net) (% of GDP) (2014)	2.4%
Net ODA & official aid received (% of GNI) (2013)	8%
Remittances received (% of GDP) (2013)	0.1%
Economic Freedom Index ¹ (2015; no. 109 globally)	57.5



Where business environment is concerned, Tanzania ranked 139th globally in 2015, up from 140th in 2013. Recent government reforms towards creating a more enabling business climate and open markets has made it easier to do business, but further structural and institutional reforms are required. Business and labour regulations remain stringent, and it is prohibitively difficult to create new job opportunities. Entrepreneurs find it hard to register businesses, while the formal labour market's barriers to entry inhibit full employment.

Political stability had declined since 2012, but recently improved with the smooth transition of power after the national election in October 2015.

GDP per capita (2014, current USD)	930
Gini Index (2012; 0=equality, 100=inequality)	0.393
Multidimensional Poverty Index (2014; 1=poor 0=not poor)	0.332
International poverty rate (2014; 1.25 USD/day)	43.5%
National poverty rate (2012)	28.2%
National rural poverty headcount rate (2011)	33.3%



The 2014 population was estimated at 50.2 million, with a 3.2% annual growth rate. 69.8% of the population is based in rural areas.

The national poverty rate was estimated at 28.2% in 2012. In rural areas, the rate is 33.3%. Poverty is concentrated in rural areas and characterised by low-output smallholder agriculture with very limited alternative opportunities to earn a livelihood.

Financial sector context: The financial sector, and the microfinance industry in particular, are relatively young. Generally shallow penetration had deepened to 40% as of July 2014. The sector has nonetheless transformed over the past 15 years from a state-owned and controlled system to a liberalised one. Noteworthy are the strong banking regulatory framework and improved insurance regulations that have facilitated tremendous growth in digital finance, led by mobile network operators. This is driving financial inclusion. A credit bureau has provided banks with credit information and the status of individuals and corporate borrowers since 2013. Competition among commercial banks has led to improved efficiency and a better quality of financial services. However, lending rates remain relatively high owing to credit risks and the cost of administering loans. Moreover, access to client-oriented financial services remains limited for the majority of

Tanzanians, especially in rural areas, thus constraining the growth of small entrepreneurs. Financial institutions mainly look at the market in a broad sense, without further segmenting it to meet the specific needs of women and other socio-economic groups with unique business and financial requirements. The microfinance sector is rather small, and the lack of access to investment capital thus impedes its ability to lend at affordable rates. Microfinance service providers have a combined outreach of around 856,435 clients. The most prominent market players are:

- Non-governmental organisations, such as PRIDE Tanzania, FINCA and BRAC Tanzania.
- Commercial banks providing microfinance services, such as the National Microfinance Bank, Equity Bank, Access Bank Tanzania and Akiba Commercial Bank.
- Regional and community banks, as well as co-operative based institutions, that mainly provide savings-based financial services.

Other players include umbrella associations, such as the Tanzanian Association of Microfinance Institutions, the Savings and Credit Co-operatives Union League of Tanzania and the Community Banks Association.

Source: <i>Mix Marketⁱⁱ</i>	Gross loan portfolio (USD)	Borrowers	Deposits (USD)	Depositors
National Microfinance Bank (2015)	1,173,698,577	11,262	1,727,136,588	n/a
Equity (2015)	n/a	11,262	147,161,892	171,416
Akiba (2015)	42,868,874	31,192	51,391,271	197,958
PRIDE (2013)	44,985,979	104,804	16,005,588	134,442
Access (2015)	72,974,165	31,548	75,113,343	223,550
BRAC (2014)	23,165,582	n/a	4,493,278	n/a
FINCA (2013)	20,609,346	71,219	4,046,986	n/a

Partner financial institution: Equity Bank, founded in 1984 in Kenya as a building society, has developed into the largest commercial bank in East Africa, with operations in Kenya, Uganda, South Sudan, Rwanda, Tanzania and DRC Congo. It has a strongly branded parent and a unique banking model, which endeavours to include the unbanked. It has the capacity to access almost all the bankable population through its agency model and alternative business channels.

Equity Bank's branch networks in October 2015



	2012	2013	2014	2015
Total assets (in USD million)			145.39	204.85
Gross loan portfolio (in USD million)			53.67	153.15
Total deposits value (in USD million)			104.39	113.53
Total staff/women	147/72	187/97	238/118	327/163
Total offices	147	187	238	327

Equity Bank Limited Tanzania opened its doors in February 2012 with two branches in Dar es Salaam and Arusha. It offers savings and deposits, loan products and payment services with automatic teller machines in the branches, vetted and trained agents acting in the name of the bank, and online and mobile banking as distribution channels. It had reached 171,416 clients (of which 49% were women) by October 2015. Most clients are small and medium depositors whose requirements are transactional, along with micro, small and medium-scale loans.

2. Intervention approach

The vision of Equity Bank Tanzania is to bank unbanked women entrepreneurs. With the support of Swisscontact, the Trestle Group Foundation and Credit Suisse it has been developing the Fanikisha+ product since 2012. Fanikisha+ specifically targets women entrepreneurs, and combines financial and non-financial services. The innovative partnership links human and financial capital, networks and resources to customise its products and services and build a sustainable pipeline of women entrepreneurs. This would not have happened within Equity Bank's usual banking business.

The project intervention took a three-tiered approach. It focused on introducing Equity Bank's customised Fanikisha+ financial product, designed specifically for women-run micro, small and medium enterprises (MSMEs) at an early business stage, as well as existing high-potential businesses (detailed in the Fanikisha+ product table 5 below). The product includes business development services and executive human capital support for high-potential, women-led SMEs. The key outputs were:

- Mobilisation and training of women entrepreneurs in the Mwanza, Dar es Salaam and Arusha regions by 56 trained staff of Equity Bank Tanzania. The staff continued to support the administration of Fanikisha+ in the bank's branches.
- 19 of the total 56 trained Equity Bank staff were certified and accredited as Gender and Entrepreneurship Together GET Ahead trainers by ILO.
- Six high-potential women entrepreneurs provided mentoring and coaching to over 500 developing businesses.
- 894 women entrepreneurs were trained. 90% of them came from low-income households. The training modules included: a) dissemination of knowledge on business fundamentals, self-awareness, articulating business ideas and business cases, b) networks, specifically their purpose, form, structure, and how to maintain and grow them, and c) capital issues such as how to become creditworthy and how to assess individual and business needs for financial services. Following training, the women entrepreneurs were eligible for Fanikisha+ loans. Six Fanikisha+ loan products (see table 5 below) developed during the Fanikisha+ pilot phase were fine-tuned and launched in May 2015.
- The Fanikisha+ products were launched on 8 May 2015 in Dar es Salaam, 16 May 2015 in Dodoma, 23 May in Arusha and 30 May 2015 in Mwanza.

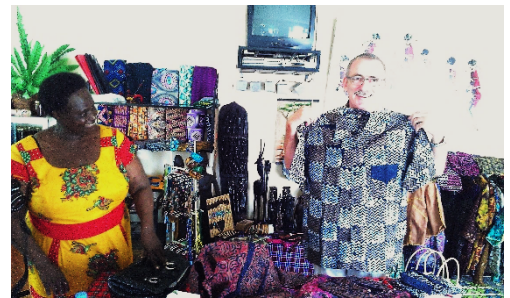
Table 5: Features of the Fanikisha+ loan products

	Fanikisha+ product name	Product features	Services included
1	Maisha	<ul style="list-style-type: none"> - Lending to individuals within the women's groups (10-35 members must be running small micro enterprises or willing to start profitable micro enterprises) - Access to loans from TZS 20,000 up to TZS 1 million - Repayment period of up to 12 months - Interest rate of 1.67% per month - Weekly meetings 	<ul style="list-style-type: none"> - Access to free business training - Visits by consultants to analyse the business - Field trips to visit successful businesses - Fast loan processing - Opportunity to network and share business ideas - Access to group mentorship programme - Interest rate discount of 10% on interest paid 100% on time
2	Shaba	<ul style="list-style-type: none"> - Targets women who have been in business for two or more years - Lending to individuals within the women's groups (5 to 20 members) - Access to loans from TZS 1 million to TZS 10 million - Repayment periods from 3 to 24 months - Interest rate of 2% per month - Weekly meetings. 	<ul style="list-style-type: none"> - Access to free business training - Access to business advisory services - Fast loan processing - Opportunity to graduate to next level - Opportunity to network and share business ideas - Access to group mentorship programme - Interest rate discount of 10% on interest paid 100% on time
3	Imara	<ul style="list-style-type: none"> - Lending to individuals - Targets women who have been in business for two or more years - Access to loans from TZS 100,000 to TZS 20 million - Repayment period of up to 18 months - Interest rate of 2% per month 	<ul style="list-style-type: none"> - Access to business training - Access to business advisory services - Flexible collateral requirements - Fast loan processing - Opportunity to graduate to next level with more relaxed security margin requirements - Access to individually tailored mentorship programme - Interest rate discount of 10% on interest paid 100% on time
4	Dhahabu	<ul style="list-style-type: none"> - Lending to individuals - Targets women who have been in business for three or more years - Registered businesses with 25% – 100% female ownership - Access to loans from TZS 20 million to TZS 200 million - Repayment period of up to 48 months - Interest rate of 1.83% per month, declining over time 	<ul style="list-style-type: none"> - Access to business training - Access to advisory services - Flexible collateral requirements - Fast loan processing - Opportunity to attend motivational talks and trade fairs - Opportunity to graduate to next level - Access to executive coaching and mentorship programmes - Access to a relationship manager - Pledge of rental income is also acceptable as collateral - 25% lower security margin requirement
5	Tanzanite	<ul style="list-style-type: none"> - Lending to individuals - Targets women who have been in business for three or more years - Registered businesses with 25% – 100% female ownership - Access to loans above TZS 200 million - Repayment period of up to 72 months - Interest rate negotiable 	<ul style="list-style-type: none"> - Access to business training - Access to advisory services - Flexible collateral requirements - Fast loan processing - Opportunity to attend motivational talks and trade fairs - Opportunity to graduate to next level - Access to executive coaching and mentorship programmes - Access to a relationship manager - Pledge of rental income is also acceptable as collateral - Attracts a 25% lower security margin requirement - Life membership of the Fanikisha Business Club
	Fanikisha+ Enterprise Club	The Fanikisha+ Enterprise Club is the core of Equity Bank's Fanikisha strategy. It is a business community of women that offers services to both clients and non-clients of Equity Bank. The range of Fanikisha services will be limited for non-clients.	<ul style="list-style-type: none"> - Through a network of volunteers, Equity Bank also provides paid and discounted assistance to Fanikisha members in the following areas: <ul style="list-style-type: none"> • Business plan development, strategic planning retreats, and mini consulting clinics. Mentoring sessions and business advisory services will be developed according to the needs of the SME.

3. Results achieved

3.1. Client level

Since May 2013, when the implementation of Fanikisha+ began, much progress has been observed. The women entrepreneurs themselves testify to improved business performance owing to enhanced financial and entrepreneurial capabilities. Women have improved and expanded businesses by starting a new channel, or improving an existing one, to the extent that it doubles their incomes. Women entrepreneurs have employed other women and new staff in their businesses as a result of their expansion and ultimately improved profitability. 132 of the women who had been trained stated that the knowledge they had acquired taught them how to run their businesses effectively, and that they did not need loans.



Some women entrepreneurs have gained the full support of their husbands for their businesses, which was not there initially. This is because the businesses are now viable and supporting the family.

Women entrepreneurs can now proudly stand up and be counted for their businesses successes, and share ideas publicly to empower other women at a variety of forums facilitated by Equity Bank and other stakeholders. This is unique because initially, before Fanikisha+ started, women were reluctant to expose their business to competitors by sharing business ideas and challenges.

“Fanikisha+ and Equity Bank has empowered my business, my life and my family in general,” attested Mwanahawa Muporo, a small-scale entrepreneur in the clothing and textiles sector. Other testimonies include:

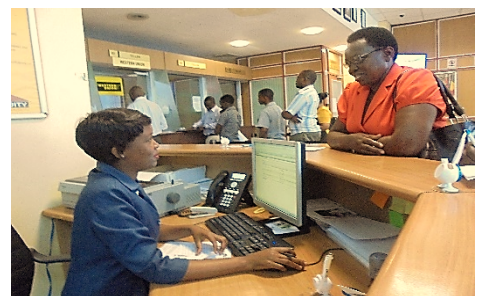
“Women entrepreneurs face so many challenges in Tanzania. I want to support others. Women here need a voice and skills. Many thanks to the team for developing the new website for me. It looks wonderful!”
- Anna Matinde, H & AN Enterprises

“From the very first conversations with Claudia, I started thinking differently about my business. You cannot imagine what’s going to come out of this. We are proud to tell the world that we are Teleflora members. We are really looking forward now.” – Dina Bina, Dina Flowers

“Through this programme, I’ve realised I had priced my products for only 10% of the potential market.”
-Fatma Riyami, NatureRipe Kilimanjaro

3.2. Partner financial institution level

Training for Equity Bank’s staff empowered and equipped them with knowledge not only to do a thorough appraisal of clients’ loans, but also to get to know more about the clients’ businesses. In this way, they learned about the leverage effect that Fanikisha+ was having in terms of sustained business success. The staff were able to make the client understand their business through individual client care. Of the women who applied for loans, 90% received *Fanikisha Imara* loans. 28% of the women entrepreneurs requested more time to restructure their businesses before applying for credit.



Indicators	2012	2013	Oct.2015
# of borrowers	2,325	5,163	11,262
% of female borrowers	45%	47%	49%
Rural/urban borrowers	n/a	n/a	n/a
Average loan balance per borrower (USD)	6,866	7,852	10,391
# of depositors	30,292	66,206	171,416
% of female depositors	49%	51%	52,4%
Average deposit balance per depositor	780	983	589
# of borrowers using Fanikisha products	0	96	1,091
Average loan balance for Fanikisha products	0	1,120	2,151

The bank staff were able to integrate the Fanikisha+ loan products into the banking system, which made loan disbursement, monitoring and repayment efficient across all its branches. The research on the needs of women entrepreneurs greatly helped the bank to design the loan products specifically to meet the needs of the entrepreneurs at their different stages of business growth. The staff also managed to offer targeted client care and tailor-made business advisory support through coaching and mentoring. The training of six flagship women entrepreneurs also made it possible for the bank to reach more women entrepreneurs with coaching and mentoring. The bank will integrate the Fanikisha+ product in all of its new branches. Its adapted replication is planned by the

other Equity Banks in further East African countries.

A total of 1,107 loans worth TZS 3,882,179,138 (CHF 1,832,945) had been disbursed by the end of October 2015. The loans comprised 1,080 *Fanikisha Imara* loans worth TZS 1,257,391,202 (CHF 593,669), 22 *Fanikisha Dhahabu* loans worth TZS 1,134,166,925 (CHF 535,490) and lastly five *Fanikisha Tanzanite* loans worth TZS 1,490,621,010 (CHF 703,787).

Fanikisha Tanzanite has been activated and it is performing very well. The 75% of the MSMEs who applied for loans went ahead with their business plans and are being followed up.

The Fanikisha+ Enterprise Club is a strategic initiative of the bank to sustain and move Fanikisha+ products to the next level in the Tanzanian financial sector.

Additional results

The Start-Your-Business (SYB) Club, also known as the Fanikisha+ Enterprise Club, which was initiated through this intervention, was the first since the start of the mass training programme by Equity Bank in Tanzania. The class of women entrepreneurs who were trained in the first round, who were at higher micro or lower SME level and can now read and write, have developed and begun to implement clear business plans.

The Fanikisha+ Enterprise Club initiated by the bank will also be of strategic importance in sustaining the product in the market. The Club brings women entrepreneurs and other business development service providers together, promoting peer learning on best business practices, business challenges, and strategies to overcome them (See table 5 for features of the Fanikisha+ Enterprise Club).

One of the Equity Bank staff who pioneered the Fanikisha product had the chance to attend an 'Improve Your Exhibition Skill (IYES)' train-the-trainers course run by the International Labour Organisation (ILO). She was certified and accredited, ready to train the women entrepreneurs on exhibition tactics.

3.3. Financial sector level

The Fanikisha+ product has created interest among other banks in Kenya, Tanzania and Rwanda. These now plan to develop innovative pro-poor products such as group loans, known as 'chama' loans, that mainly target women who are organised into saving and lending groups. Experience from piloting Fanikisha+ in Tanzania was enormously helpful in launching Fanikisha in Rwanda in 2015. Although it may be too soon to report systemic changes in the financial sector as a result of Fanikisha+, there are signs that microfinance institutions will join in with products targeting the unbanked.

4. Recommendations for other similar interventions

There are four main lessons about targeting entrepreneurial women:

- 1) Women entrepreneurs are in need not only of loans but also of the corresponding financial and entrepreneurial development capability to enable them to apply the loan appropriately to their small businesses, and thus realise returns. During the training, they realised that their business processes had to satisfy certain conditions before they could access a loan. 28% of women entrepreneurs requested more time to restructure their businesses after the courses.
- 2) There are issues that are more family-related than business-oriented, such as marital instabilities that potentially impede the success of women entrepreneurs because they may be denied access to family-owned factors of production. Family-related issues also make for other distortions and disruption in their personal lives, hence there is a need to come up with other alternative or integrated solutions to address them.
- 3) Monitoring the loan beneficiaries after loans have been disbursed is very important to ensure that small-scale entrepreneurs manage the business process in a way that guarantees the returns to make repayments. Entrepreneurs must also master credible business processes and practices to sustain business performance in the future.
- 4) The structure of coaching and mentoring programmes is a major factor in the success of women entrepreneurs. The approach of working with women executives to coach flagship/high-level women entrepreneurs, who in turn coach and mentor upcoming women entrepreneurs, had its challenges. Firstly, the women executives are geographically very far from the flagship entrepreneurs. Secondly, the flagship entrepreneurs and the upcoming women entrepreneurs were at very different levels in terms of business development. Thirdly, there was a language barrier between the flagship entrepreneurs and the women executives. Therefore, peer-to-peer mentoring seems to be more effective and more cost-efficient.

The Fanikisha+ product introduced in Tanzania was adapted slightly from the general Fanikisha product offered in Kenya. Key features of the Fanikisha+ product in Tanzania include loans, insurance, savings, financial education/entrepreneurship training courses, and the women-only Enterprise Club. In 2015, with SCBF co-funding, Equity Rwanda Bank adopted Fanikisha+ using lessons learned during its implementation in Tanzania, with a few products and processes adjusted to suit the Rwandan market.

¹ Heritage Foundation, 2015 Index of Economic Freedom, <http://www.heritage.org/index/ranking>

² MixMarket, Tanzania market profile, <http://www.mixmarket.org/mfi/country/Tanzania>, accessed 2015