

MUSOMA INVESTIGATES AND ADDRESSES CAUSES OF OVER-INDEBTEDNESS

MUSOMA (Tanzania), a savings and credit cooperative, was concerned that some members were repaying their loans by selling assets. The FSP conducted field research to understand the problem, and it took the following actions based on the findings:

- The loan appraisal process was strengthened to ensure that members have the capacity to repay loans without becoming over-indebted. While previously loan officers could approve loans, now, local leaders must also verify repayment capacity.
- Member-leaders receive the training so that they in turn could train (group) members of entrepreneurship skills to strengthen business, and ultimately, repayment capacity.
- MUSOMA occasion to members, highlighting the dangers of using business loans for unproductive purposes as well as the dangers of borrowing from multiple organizations.

As a result of these actions, the FSP saw a reduction in the incidence of member over-indebtedness. Members also report benefits from the financial education and business skills training. At the same time, PAR > 30 dropped from 14% to 8% and the number of court cases on non-repayment dropped from 12 to 1. Finally, MUSOMA reports that they now rarely have to resort to seizing assets for loan recovery.