

A Lease on Opportunity

When Victoria Kisyombe's husband passed away in 1991 he did something very unusual for a Maasai. He left her a cow named Sero.

In Tanzania discriminatory customary law means few women have land to use as collateral for business loans, so accessing formal finance is a huge problem. Victoria Kisyombe advocates leasing as a practical solution. "I've proved it can work well for both my 10,000 women clients – who in turn support another 51,000 Tanzanians – as well as for Sero Lease Ltd as a business."

When Victoria Kisyombe's husband passed away in 1991 he did something very unusual for a Maasai. He left her a cow named Sero, which means "leader" in Maasai. Most widows in Tanzania inherit nothing under traditional customary law, often leaving them without the means to survive. Although life was hard, Victoria realized how lucky she was: she had a productive asset to help feed her family.

Other widows had many challenges in making ends meet, including the rapidly spreading scourge of HIV AIDS, and Victoria felt compelled to help. In 1992 she started the Sero



Dr. Victoria Kisyombe

COMPANY PROFILE

Business Name:
Sero Lease and Finance Ltd.
Business Type: Financial Services
Annual Turnover: \$6m
Employee Number: 60
Business Reach:
12 branches across Tanzania

Women's Business Association with five other widows to tackle these problems head on. Training in HIV AIDS prevention and women's legal rights was desperately needed, along with business skills and management training.

But business training alone didn't help women access the finance they needed to develop small business ventures. Given women's lack of collateral, Victoria began piloting microleasing as a solution. The ability to generate cash flow, rather than collateral, determines whether an applicant is successful. Demand was significant and in 2002 Sero Lease Ltd was formally registered. Sero Lease Ltd has developed into a sustainable, for-profit operation providing microleasing to over 10,000 women clients in Tanzania in 2008, with a client pay-back rate of 99%. Its non-profit arm continues training in HIV AIDS awareness and women's legal rights as well as business skills. To date over 17,000 women have been trained.

Starting out

Having done well at school in sciences, Victoria trained to become a veterinarian, working in the region of Mbeya on the border with Zambia and

TANZANIA

Population 39.5 million

GNI per capita \$350

Doing Business global ranking 130/178

Doing Business getting credit ranking 115/178



Malawi. Victoria's life changed drastically when her husband died in 1991 and under customary law his family reclaimed all their marital possessions. The legal framework in Tanzania explicitly protects women – a Constitutional amendment passed in 2000 prohibits discrimination on the basis of gender and women's rights to own land are expressly protected. But in practice customary law prevails. Victoria's case was no different, with the exception of Sero the cow. "And Sero made all the difference – I was able to both feed the milk to my one year old and sell some to subsidize our income and help me pay school fees. It was very hard. I saw other widows much less privileged, with no assets, no education, little means of earning a living and I said to myself: if I am finding things so hard, just how are they managing?"

Victoria and five other widows decided to create a Women's Business Association in 1992 to help provide women training to learn more about HIV AIDS and its prevention, inheritance rights and land rights, as well as business skills and training. They called it Sero, as a reminder of how Sero the cow had helped Victoria and a symbol of how they could help lead positive change for other women. "We realized that if there was going to be a change for women, it had to come from us."


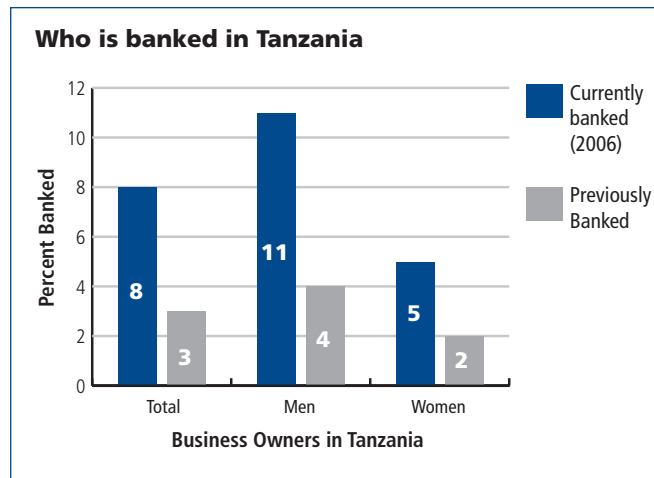
WOMEN IN TANZANIA

Female literacy rate 62.2%

Percent of women in formal labor force 50%

Seats in parliament 30.4%

Gender Equity Index Ranking 35/154

Source: Financial Sector Deepening Trust, Tanzania 2007.

Each widow contributed 3,000 Tanzanian shillings to set up the association. They charged 1,000 TSh (\$US 0.8) per day for business training courses. Demand was brisk and Victoria and a colleague soon began to work full time in the association. They moved to the capital city of Daressalam in 1993, and registered the association in 1994.

Business training wasn't enough to help women access credit, however. Without collateral they weren't able to access funds and without funds they couldn't access a productive asset. It was a vicious circle. Across the population only 5% of women and 11% of men are banked in Tanzania, and women owned businesses are only a third as likely as their male counterparts to have bank finance.

OBJECTIVES OF SERO LEASE

- To empower women economically through financial intermediation
- To develop women's capacity to assertively and competitively participate in business
- To facilitate growth of the beneficiaries as business-women through sharing best practices with other women
- Overall, take part in poverty alleviation initiatives for women.

FINANCIAL LEASING

- Cash flow rather than collateral is the focus in determining whether a lease applicant is successful
- The lessee owns the asset once it has been paid off, creating a form of collateral for other loans
- Working capital is not tied up
- Repayment patterns can be custom designed to match the lessee's cash flow
- The firm's broader finances are not put at risk by leasing, in contrast to debt.

By 1997 Sero Women's Business Association had 2,000 members and with training and grant support from UK Development agency DFID Victoria began piloting financial leasing. Her aim was to give women the chance to purchase property in their own names and thereby build up a track record for subsequent financing. Slowly Victoria and her friends saved to buy assets themselves. They started with animals, bicycles, sewing machines, refrigerators, water pumps and leased them to other widows. As funds grew, they began to also purchase property women already owned, like beds, tables, chairs and provide a lease back so the funds could be freed up for business activities.

Over the next five years the micro-leasing pilot program returned good results. It was clear to Victoria that leasing was a good financial product to support women in business in Tanzania and to expand outreach they needed to formalize. In 2002, Sero Lease and Finance Ltd was formally registered by the Business Registration and Licensing Agency. This was straightforward but obtaining a license was more complicated. It was confusing working out how to register the business: "I went all over Dar and each Ministry would send me to another, unsure how to deal



with us. We knew we needed a license so we were persistent! Finally the Ministry of Trade, Industry and Marketing provided our license. Then it took another week to process the Tax Payer registration." A "one stop shop" where all the requirements can be fulfilled in one place would certainly make all this quicker and easier.

To mitigate the main risks women are facing, training on HIV AIDS and business skills remains a compulsory prerequisite to processing a leasing request. Every Monday for a half day prospective clients must complete this training to be able to become eligible to borrow. Two guarantors are required with proof of regular income, such as salary slip, and if possible collateral such as a car or a freezer. New clients must provide a guarantee from an existing Sero borrower with a good credit history. The local administrative office is also required to sign a recommendation of good character.

All these protective measures have ensured a consistent 99% payback rate – in fact, while there



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have been payment delays Victoria says there has never been a loan write off.

Strict controls are maintained on the business. Branch managers are the key to the on-going success of Sero Lease, and they have weekly checks by telephone with management, send in copies of all receipts by mail and send their portfolios for cross checking by email each week. All cheques are written centrally from Dar.

Victoria's aim is for women to own a productive asset of their own, but she'd like them to be able to use those assets to secure further financing. Tanzania does have a Chattels Transfer Act which provides for non-land securities to be used as collateral for loans. But it is in practice of little use in its current form - there are two separate uncoordinated registries, both of which are manual and administered by two different authorities. Financial institutions need a single, comprehensive system of registering non-land securities they can rely on.

In Tanzania, pledging a movable property like a car takes 297 days, while in Zanzibar it is not possible at all.¹

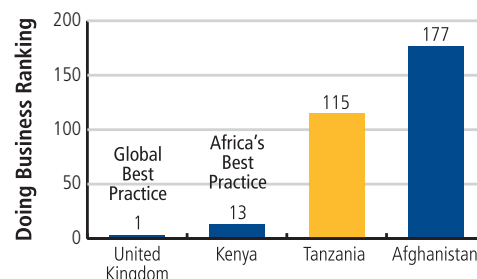
Going for growth: obstacles and opportunities

As Victoria built the business she became eligible to borrow US\$10,000 from a government fund, the Small Enterprise Loan Facility. After just three months 50% of the loan was repaid, so Sero became eligible for larger loans, but continues to face constraints due to lack of collateral. This has been a constant challenge in growing the business.

In February 2007, Sero Lease had 3,000 clients and huge pent-up demand. There was a desperate need for additional financing to support business expansion. Victoria had the same problem her clients faced – lack of collateral to secure a bank loan. Banking laws constrain the provision of microfinance services in Tanzania as unsecured loans may not exceed 5% of a licensed bank's capital. That meant Sero Lease had to borrow from a range of institutions. In 2007 EXIM Bank, the only bank with a woman CEO in Tanzania, started a women's banking program with support from the International Finance Corporation and in turn provided Sero Lease with a line of credit for \$1 million.

Says Victoria "This really helped us expand. It was the first time Sero Lease had accessed a long term loan with a one year grace period. With additional loan funds from the government SELF

The Ease of Getting Credit



Source: *Doing Business* 2008.

project in just a year we have more than tripled our client outreach and opened four new branches in rural areas.”

The partnership between Sero Lease and Exim Bank provides, on a limited basis, the benefits a credit reference bureau could provide women borrowers. As Sero Lease clients expand their businesses and become eligible for formal bank financing, which allows them to borrow larger amounts at lower interest rates, they are able to move to Exim Bank’s Women Entrepreneurs Finance Program.

In 2003 amendments to the Bank of Tanzania Act facilitated creation of a credit reference database and collection of information on the payment records of clients of all banks, financial institutions, savings and credit schemes, and other entities engaged in the extension of credit. The Central Bank has engaged consultants to work on this and to investigate the feasibility of incorporating microfinance institutions.²

Sero Lease now has 60 full time staff, of whom 12 are men, although the client base remains 100% female. The recruitment pool is drawn mostly from students who come for two month internships and the best qualify for jobs. While Victoria says formal employment contracts can be onerous in Tanzania the internship works as a trial period to screen applicants on the job.

Next steps

Demand continues to outstrip capacity and word of mouth is the only form of advertising. Sero Lease has grown quickly, from its first branch in Dar to 12 branches across Tanzania

BUSINESS CHALLENGE: GETTING CREDIT

OPPORTUNITIES FOR REFORM

Due to discriminatory customary law women are unlikely to have land to use as collateral to secure business loans. Hence they benefit disproportionately from the reforms recommended to develop credit information systems and provide ways of using non-land collateral to secure loans:

- Actively encourage development of credit information systems so good repayment records are captured. Ensure microfinance institutions’ data are included
- Reform the Chattels Transfer Act and relevant parts of the Companies Act so a single comprehensive system of registering non-land securities can be relied upon by financial institutions
- Pass draft leasing legislation into law.

today. So far more than US \$8m has been loaned out to 10,600 clients. “As long as I can continue to find the funds, I predict we will have 30,000 women clients in Tanzania in the next four years.”

Having been invited to Rwanda in 2007 to share Sero Lease’s successes, Victoria’s goal is now expansion beyond Tanzania to other East African countries. “Women and especially widows face the same problems of discriminatory custom law all through East Africa, and I know leasing is a viable solution that can really change lives.”

Footnotes and sources

1. Institute for Liberty and Democracy. 2005. “Program to Formalize the Assets of the Poor of Tanzania and Strengthen the Rule of Law: (MKURABITA) FinalDiagnosis Report.” Institute for Liberty and Democracy, Lima.
2. Ellis, Amanda et al. 2007. Gender and Economic Growth in Tanzania: Creating Opportunities for Women. World Bank, Directions in Development, Washington DC
Graph source Financial Sector Deepening Trust, Tanzania 2007
Population: World Development Indicators, 2007
Gross National Income per capita: World Development Indicators, 2007
Doing Business Rank: Doing Business 2008
Female literacy rate: World Development Indicators, 2004
Percent of women in formal labor force: World Development Indicators, 2004
Seats in Parliament (% held by women): United Nations 2007/2008 Report
Gender Equity Index: Social Watch Gender Equity Index 2007