

<b>FINCA Tanzania Limited</b>	<b>TANZANIA</b>
<i>Company Limited by Guarantee</i>	<i>Report as of August 2004</i>

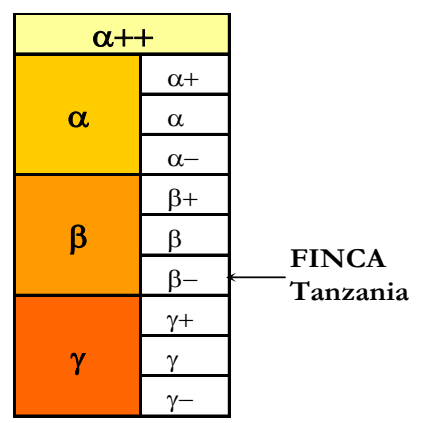
**Contacts**

**MicroRate:**  
 Craig Kirkwood  
[craig@microrate.com](mailto:craig@microrate.com)  
 Tel: +27 11 784 1771  
 Fax: +27 11 784 1770

**FINCA Tanzania Limited:**  
 Felistas Coutinho  
[fincatanzania@africaonline.co.tz](mailto:fincatanzania@africaonline.co.tz)  
 Tel: +255 22 213 1092  
 Fax: +255 22 212 3613

<b>PERFORMANCE RATING</b>	<b>β-</b>
<b>RATING OUTLOOK</b>	<b>POSITIVE</b>

Date of visit **January 2005**  
 Date of previous rating **December 2003**  
 Previous rating **Recommend**



<b>Main Performance Indicators</b>		
	<b>Aug '03</b>	<b>Aug '04</b>
Gross Portfolio ('000's)	\$1,789	\$3,703
Number of active borrowers	27,449	35,732
ROE	5.1%	0.9%
Portfolio Yield	92.9%	78.5%
Portfolio at Risk	1.2%	1.8%
Operating Expense Ratio	88.9%	74.3%
Average Loan Size	\$66	\$104
Borrowers per staff	193	192

**Synopsis**

FINCA Tanzania ("FT") began operations in October 1997 as a branch of FINCA International ("FI"). FT is a company limited by guarantee and is controlled by FI. It is headquartered in Dar es Salaam and maintains 10 branches throughout the country.

The institution reported a profit for the first time in FY 2003 and this continued in FY 2004. As a result, FT has been able to access more commercial funding and accordingly, borrowings increased to 52% of its capital structure. This debt was used to fund the loan portfolio following the introduction of individual loans during the year. Although growth in these loan products has been high, group loans (based on the traditional village banking methodology) remain the institution's primary product. In FY 2004, the loan portfolio grew to \$3.7 million with an active client base of over 35,000.

**Highlights**

**RECOMMEND FOR SHORT TERM FUNDING.**

In the long term, operating efficiency must be improved to counteract an expected further decline in portfolio yield and rise in funding costs.

**POSITIVE**

- Excellent growth due to the introduction of new loan products and more aggressive marketing.
- Impressive ability to secure commercial loans, providing good experience in negotiating and paying back debt.
- Strong management and staff.
- Overall portfolio quality is good despite a weakening in FY 2004.

**NEGATIVE**

- Margins are being squeezed by rising finance costs and lower portfolio yield.
- Loan products are still too rigid.
- The drop out rate for group loans is unacceptably high.
- Individual loan approval techniques need improvement.

**Washington Headquarters**  
 2107 Wilson Blvd., Suite 450  
 Arlington, VA 22201 USA  
 Phone: +1 (703) 243-5340  
 Fax: +1 (703) 243-7380

**MicroRate Latin America**  
 Plz. 27 de Noviembre 430, 3B  
 Lima 27 – Perú  
 Phone: +51 (1) 442-5050  
 Fax: +51 (1) 442-5511

**MicroRate Africa**  
 P.O. Box 781714  
 Sandton, 2146  
 Johannesburg, South Africa  
 Phone: +27 (11) 803-7117  
 Fax: +27 (11) 807-3490