



The impact of women-owned micro finance groups in reducing rural poverty in Masvingo: a case of ward 20 in Bikita District

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Dedication

To my husband and children.

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I would like to acknowledge the guidance and recommendations of my supervisor Dr J. Matunhu.

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Abstract

The purpose of this research was to assess the role played by Fushai women-owned micro finance groups in reducing poverty in Bikita ward twenty. The objectives of the research were to examine the extent to which women owned micro finance groups have facilitated the reduction of poverty in rural areas, to examine models of rural micro finance and how they are run and to identify the challenges encountered by micro finance institutions, clients and staff in providing and accessing rural micro finance. Women have built better houses which they could not afford before joining Fushai. Most of the members also use the proceeds from the micro finance project to send their children to school and buy food for the family. Very few women have managed to start income generating projects with the proceeds from Fushai. However the results revealed that internal conflicts can lead to the group being destroyed. The micro finance group activities are time consuming and laborious therefore there is need for group members committed and be cooperative. Member share interests as profits and contributions return to the bank for continued borrowing.

CHAPTER ONE: INTRODUCTION

1.0 Background

Worldwide there are debates as to whether micro finance is a vital tool in the reduction of poverty or not. Some scholars think that, microfinance if designed properly can reduce poverty whilst some think that micro finance can leave poor people in a worse of condition. Cheston and Kuhn, (2002) rightly argue that the impact of poverty reduction should continuously be assessed rather than taken for granted which usually happens if a micro finance intervention is covering its costs and low income users. In other words repayment of loans does not mean that poverty is being reduced because the poor sometimes sell their assets to repay the loan.

The other debate is that do women who have access to micro finance have control over their borrowed money or the money is controlled by their husbands. Most rural women are vulnerable to patriarchal ideology, related prevailing social norms and intra household gender relations (Rahman, 1999). If the woman is married the husband is likely to have the final say on the use of the acquired loan. Widowed and single women tend to have the power in decision making on the use if their loans.

Another area of debate is that of poverty lending versus sustainability approach. According to Kabeer, (2008) poverty lending is characterised as donor subsidised lending for the poor including the very poorest, often linked to a variety of other support services such as the Grameen Bank in Bangladesh. The Grameen Bank of Bangladesh received subsidies from the government and NGOs and offered loans to the rural poor whose majority were women. According to Mago, (2013) in Latin America in the 1900s customers viewed loans from government agencies as gifts and this impacted negatively on the repayment rate. This

negatively affected the government subsidised banks. The sustainability approach or financial system advocates for removal of subsidies so that the micro finance can sustain itself. The financial system offers a commercially oriented minimalist package of financial services targeted to the bankable poor for example bank Ratyat in Indonesia (Kabeer, 2008). The poverty lending strategy fails to sustain itself after the removal of subsidies hence failing to eradicate poverty unlike the financial system which stress financial sustainability and cost recovery mechanism.

According to Fredet et al (2009) poverty means the condition of a human being who is deprived of the resources, means, choices, and power necessary to acquire and maintain economic self sufficiency or to facilitate intergration and participation. Many poor people in rural areas of Zimbabwe lack the means to a better living standard. Official measures of poverty tend to use income levels while one off surveys tend to deploy indicators of living standards and of different forms of deprivation (Lister 2004). The study is going to use access to income as a means to better living standards.

Bound, (1998) in Mago, (2013) narrate that the Zimbabwean microfinance dates back to 1963 when the Catholic Missionary initiated the Savings Development Movement (SDM) which focused on micro savings mobilisation by rural women. However the micro finance groups were disrupted by the liberation struggle but it later evolved after independence. Soon after independence micro finance started again and it was supported by a stable economic environment but it was later disrupted by the Economic Structural Adjustment Programme which led to massive retrenchments, removal of subsidies, high inflation and closure of some industries. Moyo (1999) in Mago, (2013) states that this policy prescription led to increase in interest rates, hence reducing the access to loans by the poor. Many people who lost their jobs joined the informal sector creating a great demand for micro finance even in the rural areas because some of the people who had lost their jobs migrated back to the rural areas were life

seemed to be cheaper. The 2008 political unrest also negatively affected the micro finance sector because it worsened the inflationary rate. It became useless to offer micro finance services because inflation was going up every hour. Depositors also lost their money when the currency changed.

The Government of Zimbabwe has tried to improve the micro finance situation by supporting youths and women's small and medium enterprise through the Ministry of Gender and Youth Development but this strategy has been criticised for being partisan and sometimes it is manipulated by people who already had better standards of living who were politically connected. The Government has also put in place a micro finance policy to improve micro finance services in Zimbabwe. Although the government is putting an effort to improve access of micro finance to the poor it is responsible for the collapse of the sector for example in 2008 NGOs which were engaged in micro finance had their licences either withdrawn or not renewed because they were accused of supporting the opposition party. This created an environment which was not attractive to micro finance NGOs.

In October 2013 the government of Zimbabwe under the leadership of ZANU PF has formulated the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) to empower the people of Zimbabwe through indigenisation policies. The programme also aims to facilitate the financing of Small to Medium enterprises and cooperatives run by the youths and women.

Traditional banks shun the rural areas because of the cost associated with relocating and the issue of sustainability. The poor in the rural areas do not have access to loans from these banks because they do not have the required collateral security. Traditional banks consider lending money to the poor as risky because they sometimes fail to repay the loans.

Rural micro finance to the very poor can assist the government of Zimbabwe in meeting the Millennium Development Goals (MDGs). When rural poor women have access to micro finance they can start their own small business and can be economically empowered. Micro finance can be used to support agriculture by providing funds to buy inputs such as seeds and fertilisers among the very poor hence reducing extreme poverty and hunger. Food security enhanced by the micro finance may reduce child mortality by reducing cases of malnutrition.

Access to micro finance means that the poor can send their own children to school thereby achieving universal primary education. When these children have attained education they become equipped with information that they can use to combat HIV and AIDS, malaria and other diseases, improve maternal health as well as using their environment sustainably. Micro finance also has other social advantages such as social mobilisation to deal with issues on health and education. Through micro finance governments can become global partners by assisting each other with information and funds through donations. Around the world governments and donor agencies have supported Small and Medium Enterprise (SME). In countries as diverse as China, India, South Africa and United States of America dedicated agencies devote substantial national resources to the support of smaller enterprise (World Bank, 2013). This shows that small enterprises are important in creating employment and reducing poverty. This research focuses on rural women micro finance group in Bikita ward 20 in Bikita in Masvingo in Zimbabwe where women have formed a micro finance group called Fushai.

1.2 Statement of the problem

In Zimbabwe poverty is concentrated in rural areas where the majority of the population live. According to the Poverty Assessment Survey Study (PASS) in Zimbabwe poverty is prevalent in rural areas, communal areas and among female headed households (United

Nations, 2010). However there are areas more prone to poverty than others. Poverty is concentrated in the South Eastern provinces of Manicaland and Masvingo which are the driest and less productive areas in the country (IFAD, 2008). The study seeks to assess the role played by women-owned micro finance groups in reducing poverty in Masvingo in Bikita District Ward 20. Rural areas like ward 20 are shunned by commercial banks yet income as a poverty indicator is crucial in reducing poverty because it influences other indicators like better health, food and education. Rural poverty is growing fast and matters anormously, fighting poverty today means first transformation of rural livelihoods (IFAD, 2005). Poor people in ward 20 have income challenges. Poor people in ward twenty struggle to send their children to school, buy enough food, build better houses, buy livestock as well as starting income generating projects. There is therefore need to transform these people's live through micro finance projects.

1.3 Justification

Zimbabwe is home to population of 13,2 million people of which 70% live in rural areas and at least 72% live in poverty (Klinkhamer, 2009). Despite efforts by the Government of Zimbabwe, NGOs and Political parties to alleviate poverty, poverty is still rampant in rural areas. Sustainability and viability of these micro finance groups is a problem in most rural areas due to lack of training and support. Rural women's access to formal micro finance institutions is hampered by their lack of access to formal employment and lack of collateral security. Most of the assets in rural areas are owned by men. Women have access to finances through micro finance groups. Makina, (2010) in Mago, (2013) argues that the informal sector played a significant role in the economy during the Zimbabwean economic crisis. This justifies the need to support micro finance institution because they support the informal sector. The researcher chose to research in rural areas because these areas are under

researched due to their remoteness and the costs associated with travelling to such areas. The study will add to the body of knowledge.

1.4 Area of study

The research was carried out in Masvingo Bikita District ward 20. It is in agricultural ecological region five. It characterised by low rainfall leading to food insecurity. Residents of this district rely mostly on donor hand outs. Residents rely on drought resistant crops such as rapoko, millet and sorghum. Maize is grown on a limited scale. During droughts traders bring maize for barter trade with cattle and goats. When residents have a better harvest they store grain for the next season as a proactive measure to drought.

1.5 Delimitation of the study

The study is going to focus on rural women micro finance groups in Bikita ward twenty. It is also going to focus on borrowers of the microfinance group. The improvement of livelihoods is also going to be looked at focusing mainly on households with members belonging to the microfinance group.

1.6 Significance of the study

The research is going to assist rural women on how best they can run their micro finance institutions so that they can be sustainable. Policy makers are also going to benefit from this study as it is to inform them on how best the very poor can be assisted. Donor agencies can also get information on how they can assist women in their efforts to reduce poverty in rural areas. According to Matunhu and Mago, (2013) one of the goals of the indigenisation and empowerment policy is to empower the rural communities to heave themselves out of

poverty and underdevelopment. Access to micro finance to women will empower rural people and eventually develop the rural areas.

1.7 Objectives

The study seeks to:

- (a) Examine the extent to which women-owned micro finance groups have facilitated the reduction of poverty in rural areas.
- (b) To examine models of rural micro finance and how they are run.
- (c) To identify the challenges encountered by micro finance institutions, clients and staff in providing and accessing rural micro finance.

1.8 Research questions

- (a) To what extent does the Zimbabwean micro finance policy facilitate the eradication of poverty in rural areas?
- (b) How are women managing micro finance and how do they function.
- (c) What are the challenges faced by rural clients, staff and micro finance institutions in rural areas.

1.9 Assumptions

The researcher assumed that rural women's micro finance groups can reduce poverty. The researcher also assumes that the micro finance groups are sustainable and viable and borrowers are making payments on agreed timeframes.

1.10 Limitations of the study

Due to lack of time the researcher interviewed fifty respondents from Fushai members and fifteen staff members from banks, NGOS and micro finance institutions. Five in-depth interviews with micro-finance members were conducted.

1.11 Theoretical framework

The theoretical framework of this study is based on Ian Scoones' Sustainable Rural Livelihoods Framework. The Sustainable livelihoods are achieved through access to a range of livelihood resources (natural, economic, human and social capitals) which are combined in pursuit of different livelihood strategies (agricultural intensification or extensification, livelihood diversification and migration) (Scoones, 1997). The natural resource in terms of climate has not been favourable because ward twenty is in ecological region five and residents grow drought resistant crops like sorghum, rapoko and millet. They have also used the economic resources to intensify their agriculture through the purchase of agricultural inputs and implements which they could not afford before joining Fushai. Fushai members have used their human capital through engaging themselves in paid farm labour and beer brewing so that they can have economic resources to improve their standard of living. They have used the skills that they already have to make a living. Fushai is the social capital because it is an association formed by women in which they coordinate their activities towards a common goal of reducing poverty at household level.

Fushai as a livelihood resource has enabled the women to meet their social needs such as payment of school fees, buying food and household properties. Education is vital as it equips children with skills which they can use in life for a better life hence empowering them.

The concept of 'a sustainable livelihood is increasingly central to the debate about rural development, poverty reduction and environmental management (Scoones 1997).'The sustainability of rural income generating projects like Fushai will eventually bring rural development as rural households will be able to live above the poverty datum line. The aim of the research is to assess the role played by women-owned micro finance project in reducing poverty hence sustainable livelihood approach becomes relevant to the study.

The framework can be applied at a range of different scales, from individual, to household, to household clusters, to extended kin grouping, to village or even nation, with sustainable outcomes assessed at different levels (Scoones 1997). Similarly the economic and social outcomes or benefits of Fushai were assessed at household level with the aim of assessing the impact at poverty reduction.

According to Chambers and Conway, (1992) in Scoones, (1997) a livelihood comprises the capabilities, assets (including both material and social resources) and activities for a means of living and a livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resources. Rural women in ward twenty have proved that they are capable of running their project as evidenced by being able to carry on with their lending activities despite the fact that some borrowers fail to repay loans in time. As a means of recovering from such stress and shocks in their business they have resorted to attaching property with the same value with the loan including interest accrued.

The ability to pursue different livelihood strategies is depended on the basic material and social, tangible and intangible assets that people have in their possession (Scoones, 1997). Fushai members have used the skills that they have acquired in beer brewing and paid farm work to diversify their activities and be able to get more money which they have used to

build up their banks. Overallly Fushai is engaged in three income generating project which are offering small loans, beer brewing and paid farm work. Monthly subscriptions, beer brewing and paid farm work are the capital bases for Fushai. By engaging in Fushai women have diversified their activities because in the past they used to rely on subsistence farming which was prone to drought.

Credit policies for livelihoods may focus on broader loan strategies with reinvestment routes controlled according to rural people's own objectives (Scoone 1997). Fushai issues small loans to villagers and the villagers use the loans according to their own objectives. Members of Fushai also use their proceeds to meet their own household objectives. This gives the members the opportunity to meet their in depended needs.

Sustainable livelihood approach also includes migration whereby people can move away and seek a livelihood, either temporarily or permanently elsewhere (Scoones, 1997). In contrast Fushai members have not migrated to other areas in to seek a livelihood. They have engaged in sustainable livelihoods within their place of residents. They do paid farm work and beer brewing in ward twenty.

1.12 Chapter breakdown

This chapter has looked at the background of the study, statement of the problem, justification, area of study, delimitation of the study, significance of the study, the objectives and statement of the problem, research questions, the assumptions, limitations of the study and the theoretical framework. The following chapter is reviewing related literature.

CHAPTER TWO: LITERATURE REVIEW

Introduction

The researcher is going to use both Eurocentric and Afro centric literature in assessing the role played by the rural micro finance group in reducing poverty. This chapter is going to discuss the importance of rural microfinance, the attitude of clients and employees towards rural micro finance, the extent to which the Zimbabwean microfinance policy has facilitated the reduction of poverty in rural areas, the various models of rural micro finance and the challenges faced by rural clients, staff and micro finance institutions in rural micro finance.

2.1 The importance of micro finance in rural areas

The foremost objective of micro finance institutions is to alleviate poverty (Tenwal and Islam, 2009). Worldwide poverty is rampant in rural areas. The Scottish Poverty Information Unity states that people live in poverty when they are denied an income sufficient for their material needs and when these circumstances exclude them from taking part in activities which are an accepted part of daily life in that society (Tenaw and Islam, 2009). Access to rural micro finance gives the poor an opportunity to start small businesses. Due to this reason most government in developing countries such as Africa and Latin America have put in place micro finance policies as a strategy to alleviate poverty.

Donor agencies such as CARE International also use micro finance as a tool to alleviate poverty. Mayoux, (1999) states that there is almost a global consensus now that micro finance to the poor be viewed to achieve equitable and sustainable gains for economic and social development in the 20th century. Standards of living of the poor people are uplifted by properly designed micro finance programmes because it creates employment and increase

farm productivity in the rural areas. By engaging in self-employment poor people have better gains than formal employment where they would get very low wages.

Access to income can be used to measure poverty within a household or a region. According to the World Bank the most commonly used way to measure poverty is based on incomes (Tenaw and Islam, 2009). To World Bank a person is poor if his or her income levels fall below minimum level necessary to meet basic needs. In this case micro finance can be used to ascertain if a person is below or above the poverty datum line. If the majority of people are living below the poverty datum line then the country or region is labelled underdeveloped. In developing nation many people live below the poverty datum line because they do not have access to micro finance programmes which they can use to start income generating project and raise above the poverty datum line. Some even live below US\$1 per person per day.

According to Tenwal and Islam, (2009) improved access to micro can raise the expected value of income and therefore of consumption and future investments and asset accumulation. It is through access to micro finance that rural people can be have extra income to use for future investments such as buying livestock like cattle and goats which they can sell in unforeseen incidences such as illness and droughts. As long as they do not have access to micro finance poor people can only meet their immediate family needs such as food. This locks them in a vicious cycle of poverty. Access to micro finance will also lead to an improvement in the quality of food per household and this reduces the risk of malnutrition and reduces child mortality. Therefore a government which strives to give access to micro finance to its rural people will be indirectly meeting the Millennium Development goals of reducing hunger and starvation as well as reducing child mortality by 2015.

Tenaw and Islam, (2009) argue that access to micro finance by the rural poor can decrease the variance of income and consumption for the food insecure, it is particularly important to

reduce the down side risk of falling below minimum levels of disposable income for consumption of food and other basic needs. In areas like Masvingo which are characterised by low rainfall and food security access to micro finance gives the poor some income which they can use to buy food. A relevant example where micro finance was used to improve food security is the Kupfuma Ishungu project which was undertaken by CARE Zimbabwe in areas of low rainfall like Mberengwa, Zaka, Chivi, Gutu and Bikita. Rural people were trained about the Internal Savings and Lending (ISAL) model. Villagers contribute funds which they would lend on an interest and later profits will be shared among members. The programme was a success in that some poor households now manage to buy food enhancing food security. However the strength of this model is the ability of CARE International's staff to train the beneficiaries about the model. The project also relies on donor funding invested in training and mobilising communities (Gandure, 2007). Training is very critical in micro finance projects meant for the poor because it empowers them with skills to run the projects when the donor has left. The other strength of this model is its flexibility in allowing groups to add their own initiatives to the model. This ensures participation and ownership of the project.

Access to micro finance to small and marginal farmers to micro credit can significantly help them to avoid sliding down the poverty ladder (Tenaw and Islam, 2009). Agriculture is seasonal and rural farmers do not have access to funds during the off season. It is during this season that these farmers need the services of micro finance because they will not be having farm products to sell for household consumption. During drought and mud slide small to marginal farmers need micro finance to buy food and farm inputs for the next farming season. In Bangladesh such farmers are provided with micro finance to cushion them against such shocks because they are small farmers whose farming activities are not insured of such risk.

Micro finance supports agriculture. Agriculture is the backbone of national economies, main source of foreign currency and by far the most important source of employment, including self employment (Tenaw and Islam, 2009). Agriculture becomes the key to overall economic and social development of developing economies since it supports manufacturing industry and brings foreign currency through exports. In Zimbabwe rural farmers grow tobacco and cotton for export, micro finance can assist such farmers to fully embrace the green revolution, increasing productivity and profits. Poor people in the rural areas mainly engage in subsistence farming due to lack of capital to buy modern agricultural farm inputs such as seeds, fertilisers and herbicides. It is through micro finance that such farmers can move from subsistence farming to commercial farming.

Micro finance can be used to improve agricultural technology. Muzari et al, (2013) states that lack of credit is a significant and sometimes binding constraint, limiting investment in productivity enhancing technology and inputs. Poor people in the rural areas are stuck in the manual ways of farming such as using their hands for ploughing and weeding. Due to this problem they cannot plant on large tracks of land. Availability of micro finance can help them by proving finances to buy ploughs and cattle to make ploughing easier and more productive. Sometimes poor people work in other people's fields so that they can have access to ploughs and cattle for ploughing and by doing so they will be lagging behind in the farming season leading to poor harvests yearly.

Negative effects of national economic policies can be reversed by micro finance. Due to the Economic Structural Adjustment Programme that Zimbabwe adopted in the 1990s many people lost their jobs and joined the informal sector to make a living. Mago, (2013) argues that the growth of the informal sector is followed by the simple logic that explains high demand for micro finance in Zimbabwe. Formal banks do not offer loans do the informal sector due to high risk of non-payment exacerbated by lack of collateral security. To show

that the informal sector is important in the economy during the 2008 economic down turn it is the informal sector which prevented the Zimbabwean economy from total collapse as cross border traders went to buy groceries for resale in Botswana, Mozambique and South Africa. Many industries have closed and relocated to other African countries leaving many people jobless, micro finance can be used to support such people in starting up their own businesses.

Micro finance can be used to service rural areas which are shunned by formal banks. Rural areas are seriously underserved by traditional providers of financial services (Mago, 2013). In Zimbabwe people in the rural areas do not have land title deeds to use in the formal banks hence relying on micro finance. The formal banks shun rural areas due to their remoteness and they consider the poor as risk borrowers. There is also the cost of relocating to the rural areas which makes the rural areas an unattractive market. Interest rates charged by these formal banks are too high for rural people. As a result government or donor subsidised micro finance projects are critical in rural areas.

Finance is also required for commodity marketing, sometimes through inventory- backed financing, which offers rural producers, traders and processors the opportunity to improve household income through adopting better produce marketing and raw material procurement strategies (Coutter and Onimah, 2002). Sometimes in rural areas people lack access to better markets for their produce like baskets, mats, brooms etc. Micro finance can be used to help poor people have access to markets for their products where they fetch better prices. The micro credit can be used to hire transport to the urban areas. After selling their products in the urban areas the poor people will also have the opportunity to buy cheaper products and save money because in the rural areas goods are expensive.

Micro finance can be used to reduce gender disparity in development. According to Muzari et al, (2013) it was found that formal credit seldom went to women, the micro loan on the other

hand served women. Women do most of the agricultural activities in the rural areas yet they had no access to formal finances. Micro finance becomes very crucial because it mainly targets women so that they can start their own small businesses. Micro finance reduces the feminisation of poverty. Women's access to micro finance improves the living standards of the whole household because most of their incomes are spend on household consumption.

According to Muzari et al, (2013) besides demand for business loan, low income households in Zimbabwe also seek loans to pay school fees for children. The Millennium Development Goal number two states that there should be universal primary education by 2015. Access to micro finance to the poor in rural areas will mean that many children will attain school including girls. Education is empowerment. Girls' access to education can also be increased through micro finance because in some African set up if there is no enough money in the household the boy child is given first preference to go to school. Micro finance improves household income and the opportunity for girls to attend school is increased. It is through education that children can learn how to reduce the risk of HIV and AIDS and its impacts to society.

Currently Zimbabwe is embarking in the Indigenisation and Economic Empowerment Policy as strategy to alleviate poverty. Mago and Matunhu, (2013) state that one of the aims of the indigenisation and empowerment policy is to empower rural communities to heave themselves out of poverty and underdevelopment. Micro finance can be used as a tool to empower the rural poor supporting their entrepreneurial ideas. It can be used to support poor people who are into gold panning by legalising their mining activities and proving them with proper machinery to do their mining at the same time creating markets for their minerals. Many rural people are engaged into illegal gold mining which is very dangerous as evidenced by the death of many gold panners in Mazoe and diamond illegal miners in the Marange diamond mines.

Microfinance has the potential to reduce the impact of poverty on families affected by HIV and AIDS. A case study in Zimbabwe suggests that micro finance clients and their household had a greater diversity of income sources, improved savings patterns and were better able to keep children in school following the death of an adult household member – a proxy for AIDS related mortality (Barnes, 2002). In this case micro finance is a social safety for households affected by HIV and AIDS. It also provides necessary incomes which can be used to buy medicine for HIV infected family members hence increasing their life expectancy. When children continue attending school it means that micro finance guarantees a better future for children.

Micro finance institutions can also be used to reinforce HIV and AIDS prevention. According Pronyk, (2005) in many settings, donors, practitioners and international stakeholders have made energetic calls for Micro Finance Institutions (MFIs) to mainstream HIV and AIDS further into micro finance services and to enhance prevention activities. In South Africa MFIs disseminate information on HIV and AIDS prevention and treatment on micro finance gatherings. The information dissemination is done before discussion on issuing small loans start so that all members listen to the information. Health workers become part of the micro finance team.

Khandker ,(1998) in Pronyk, (2005) states that studies have suggested that micro finance has the potential to lead to improvements in the nutritional status of children relative to non participants. This is because micro finance increases household incomes hence parents and guardians can afford buying nutritious food for children. During micro finance meetings women are also equipped with information on how to improve in child caring.

With respect to reproductive health outcome work from Bangladesh suggests that micro finance participants are more likely to use contraception than controls and that these benefits

may diffuse into non- participants households and that these benefits spreads improvements in practice (Schuler and Hashami, 1994). Micro finance institution can be used to empower women with information about their reproductive health and move away from traditional birth controls which are unreliable and lead to more children who are difficult to take care of.

Micro finance helps the poor not to rely on farming activities which are determined by climate. According to Allen et al, (2000) in Kupfuma Ishungu micro finance project the average contribution to household income appears to approach or exceed 50%, with many families now deriving 100% off farm income from financial institutions activities. This project was implemented in Masvingo, Zvishavane and Mberengwa which are areas in agro ecological region five with low rainfall. Deriving much income from off farm activities means that the families are cushioned against the uncertainties brought about by drought.

Provision of micro finance to the youth in rural areas helps to reduce urban to rural migration. Financing projects for the youths will create employment. Khan and Toshiya, (2005) in Kateera, (2004) advised that the reduction of poverty must be dominant focus of the war on world poverty not only because majority of the world's poor is rural but also because most of the urban poor are migrants trying to escape the rural poverty. Reduced rural to urban migration reduces the problems caused by overcrowding in urban areas such as squatter settlements and water problems which in turn cause water borne diseases such as cholera and dysentery. When these migrants go to urban they even face more challenges in life because everything in the urban areas not free unlike in rural areas.

Micro finance helps people to get back to their normal life after they lose their assets in disasters. Ganeshar and Vineet, (2004) in Kateera, (2004) noted that micro finance were very instrumental in Bangladesh, Central Africa, Haiti and Rwanda in helping the poor get back on their feet after natural and man-made disaster. Micro finance can also be used to revive

some small project as in the rural areas which have been affected by the economic crisis in 2008 in Zimbabwe like small general dealer shops. It can also be used to assist some entrepreneurs who lost their deposits in banks due dollarization. Some people in the rural areas also lost their livestock in the political conflict that were prevalent in the rural areas in 2008 and this has made them poor. Rural micro finance can also be used to assist such people.

Access to micro finance is very important because it is linked to human rights. Seep Network, (2006) states that microfinance should make reaching very poor people a priority because access to finance is considered a human right in fight against economic exclusion. The poor are already economically excluded so by offering them access to micro finance it makes them realise other basic human rights such as right to food, shelter, education and the right to be head in issues that affect their lives like in community development. Governments in development countries should promote access to micro finance to the poor to reduce the inequalities between the poor and the rich.

Micro finance can be used to improve literacy in rural women. Partner Agencies Collaborating Together (PACT) which is a micro finance institution in Nepal concentrates on savings and literacy as the most important way to empower women and help them build sustainable, self managed savings group (Seep Network, 2006). It teaches them the basics of business management and marketing so that they can understand their bank statements and also be able to sign their own bank books. However sometimes local languages also need to be used during training for rural women who do not understand English language.

2.2 The attitude of clients and employees towards rural microfinance

According to Ravikuma, (2012) to meet the needs of the poor, the behaviour of organisation's staff towards their clients requires revision and tailoring. This is because bank employees are not willing to assist poor people in their need for micro finance. They prefer serving wealthy people who sometimes give them some gifts as appreciation for their services. As a result any initiative by the government to include the poor in the provision of small loans is hindered by these bank employees. In India the government introduced financial inclusion for the poor to benefit in micro finance but this strategy failed to work. Ravikuma, (2012) further argues that in reality, bank personnel do not consider financial inclusion initiatives as responsibility, but, as a nuisance. Once these personnel have this attitude it means that they will not take the initiative seriously. Bank personnel will see micro finance services to rural people as a mere waste of time and resources investing in poor people who have high risk of not paying back.

Mean scores by Ravikuma, (2012) show that female bank personnel have more positive perceptions and attitude towards provision of credit to the poor than male bank personnel. This is because female employees tend to be warm hearted towards poor people. They tend to be patient and give a listening ear to them than male employees. This is because some rural people may be illiterate and it takes a long time to explain to them how small loans are applied and signed. Some would want the documents to be explained in their local language for them understand better.

Bank personnel do not want to relocate to the rural areas due to the hardships associated with living in rural areas. There are also costs associated with relocating. Infrastructure is poor in most rural areas and some cannot be accessed even by road. Rural people sometimes walk long distances to access services at Growth Points in countries like Zimbabwe.

However in some projects like Kupfuma Ishungu staff is generally of high calibre and seem to be very much motivated by their success even though the field staff to clients ration is 1:547 (Allen et al, 2000). This shows that it's not always the case that staff members from micro finance institutions are unwilling to work with poor people. In this case staff members were willing to equip the clients with skills that they can use to run their micro finance groups even after the project has been completed.

Clients of government micro finance programmes are most of the time unwilling to pay back and this makes these programmes fail to be sustainable. According to Mago, (2013) customers in Latin America in the 1950s and 1970s viewed loans from government agencies as gifts and this impacted negatively on the repayment rate. Clients of such programmes think that it is the obligation of the government to give them free money not taking into consideration of the fact that paying back the loans will make the programmes sustainable and many poor people will benefit leading to the overall development of the whole country.

Politicians tend to use micro finance as a tool to attract support during campaigns. In Zimbabwe the government is also a supplier of micro finance to the poor, however the latter has been politicised. Such micro finance programmes reappear during political campaigns and disappear after elections. The problem with such micro finance programmes is that they are high jacked by those who are well connected politically and are not the poor most of the times. These micro finance groups are used to further client patron relationships. In most cases those who will be supporting the opposition party are not allowed to benefit.

Micro finance group helps poor people to be able to plan for the future. An evaluation of Kupfuma Ishungu micro finance project revealed that the groups have consistent and practical visions for the future of their activities, both at the group and enterprise levels (Allen et al, 2002). Micro finance opportunities to the poor gives them visions about the

future in which they see their small enterprises growing and be able to take their lifestyles to better levels.

According to Allen et al, (2000) there is clear evidence of personal pride and evidence also that people are encouraged to work more energetically than they otherwise, might owing to the need to repay. Due to the fact that the poor run their own projects in micro finance it gives them a sense of ownership and pride and this gives them dignity. Micro finance also encourages them to work harder due to the obligation of repayment of the loan. In this way a culture of hard working is instilled among the poor who are sometimes regarded as lazy by some scholars.

In Kupfuma Ishungu project increasing group pressure led most respondents to be more business oriented and to look out for opportunities and competitive advantage through niche products or services (Allen et al, 2000). Micro finance creates innovativeness in members as they try to produce materials which are not flooded in the market.

The poor have an attitude of self selection. It is well known that solidarity groups in Grameen style microfinance programmes and village banks reject very poor members because they might be unable to repay their loan and could thus jeopardize the creditworthiness of the entire group (Seep Network, 2006). In solidarity groups villagers often make groups of people with the same social and economic class. In this case the very poor are often left out in micro finance projects which have the potential to transform their lives.

The very poor self exclude themselves in micro finance programmes. According to Seep Network, (2006) even when very poor people are not actively excluded by a community, they often opt out of community related projects because they are intimidated believing that the services offered by such projects is not suited to their needs. Sometimes micro finance projects target people who are already involved in income generating projects which the very

poor might not have at all. For them to benefit from such projects there would be need for capacity building before issuing of small loans.

Micro finance institutions often consider lending to the very poor as a risky sector. Very poor are often depended on subsistence farming as their main source of livelihood (Seep Network, 2006). Subsistence farming unlike commercial farming does not give poor people excess income which they can use to pay back loans. As a result micro finance institutions prefer lending to commercial farmers who often bank their money.

Sometimes the very poor are reluctant to take out initiatives to break the vicious cycle of poverty. Living in absolute poverty for a prolonged time strongly affects people's dignity and hope for the future as well as their ability to take initiative and overcome stigma (Seep Network, 2006). Very poor people sometimes have very low self esteem and it takes time for development practitioners to convince the about development initiatives.

Even when there is no loan to be repaid, many poor people especially women are often initially afraid of new responsibilities and new activities that are expected from them (Seep Network, 2006). Women are sometimes afraid of living the home unattended to and sometimes negotiating for a better price in the market place where there are many people who they might not know. Managing the incomes can prove to be a mammoth task to someone who has never managed a business before.

In Kenya both men and women agreed that men did not feel shame in the same way that women did when they fail to repay debts and men were described as having a don't care attitude (Kabeer, 2008). In this case women are viewed as better borrowers because they want to avoid the shame associated with failing to repay loans so they try by all means to repay. Women would not want to lose their assets to micro finance organisations.

2.3 An examination of the extent to which the micro finance policy in Zimbabwe facilitates the reduction of poverty in rural areas.

The Zimbabwean government has put in place various strategies to improve access to micro finance by the poor. Some of the strategies include the Micro finance policy and the ZIMASSET formulated in October 2013. The extent to which how these policies are assisting in financial inclusion for the poor is going to be assessed.

The Microfinance policy

The policy vision and mission statement is to become a viable, ethical and sustainable pro-poor microfinance industry with effective outreach and impact, which is integrated into the mainstream financial sector, and has the support of all stakeholders (Zimbabwe Microfinance Policy, 2008). There are a lot of issues that needs to be addresses in the micro finance sector for it to be able to sustain itself and be viable and assist the poor especially in the rural areas. The government has to improve the infrastructure in the rural areas as well as providing tangible incentives on tax to institutions that are willing to offer micro finance services in the rural areas. Subsidies have to be put in place to such institutions so that the costs of doing business in rural areas are reduced. A stable macro-economic environment is also crucial.

A conducive legal framework gives room for the provision of rural micro finance to the poor through collaborations between the government, the private sector and donor agencies. The policy recognizes microfinance as a function, which can be provided by a continuum of institutions including credit only micro finance institutions, Non Governmental Organisations (NGOs), Savings and Credit Co-operative Societies (SACCOs), microfinance banks, building societies and commercial Banks (Zimbabwe Microfinance Policy 2008).

The government has given both local and international organisations an opportunity to participate in micro finance projects. As a result of this initiative NGOs like CARE international have managed to assist rural people in areas like Masvingo, Zvishavene,

Mberengwa and Shurugwi through a Self Help groups called Kupfuma Ishungu. Giving all these organisations an opportunity is a positive move towards poverty reduction because government alone does not have adequate resources to reduce poverty amongst all its citizens especially in rural areas.

In 2009 the Reserve bank of Zimbabwe made some efforts to provide rural people with some banking facilities through mobile banking but this strategy was temporary since it was only meant to alleviate cash shortages. According to the Review Statement dated 31 January 2007 Post Office and Savings Bank has thirty branches in major urban centres and hundred and sixty ZIMPOST agencies in rural vocations. POSB also operated five mobile units which have been distributed throughout five provinces. POSB has a better coverage of rural areas in Zimbabwe but it is not offering micro finance services to the poor in rural areas. The mobile units have since stopped because they were meant to alleviate the cash problems which were in the country in 2008. Mobile units were a good strategy of offering micro finance to the poor in remote areas and they should be reintroduced. POSB did not charge clients for maintaining accounts but this does not alleviate the problem of lack of micro finance to the poor because they don't have money to open accounts. What they need are small loans to start small enterprises and have profits which they can use to open accounts and have savings. Consumer protection is also an important issue in the regulation of microfinance institutions because their clients usually have very limited choice or bargaining power (Zimbabwe Microfinance Policy, 2008).

Many micro finance clients in Zimbabwe are being mistreated by micro finance institutions. Sometimes clients lose their hard earned assets to bogus micro finance institutions. If rural micro finance institutions are not properly regulated the poor will be left in a worse off condition. Interest rates charged by some rural micro finance institutions also need to be strictly regulated to avoid the manipulation of the poor. Some of the properties attached by

these micro finance institutions have a value which is higher than the amount that the clients will be owing to the micro finance institutions.

The policy will promote participation of Government in the microfinance industry by encouraging local authorities to devote at least five percent of their annual budgets to micro-credit initiatives administered through Micro Finance Banks (MFBs) (Zimbabwe Microfinance Policy, 2008). No funds are being allocated for micro finance projects in all the local authorities. Micro finance banks like CBZ, Agri Bank and POSB have not received any funds from local authorities which they can disburse to rural areas.

As another strategy to improve micro finance in Zimbabwe the policy encourages wholesale lending to microfinance institutions. According to Klinkhamer, (2009) Barclays is one such bank that has wholesaled funds in the past and is still interested wholesale. Commercial banks like Stanbic are also willing to start wholesale funding to microfinance institutions. The micro finance policy has also enabled Kingdom and CBZ to be engaged in wholesale lending to microfinance service providers. However more wholesale lending facilities need to be availed to rural micro finance providers so that poverty in the rural areas can be reduced. Institutions willing to provide services in the rural areas should offer loans with lower interest rates.

The policy gives the provision for micro finance institutions to be transformed into micro finance banks. An existing microfinance institution can fully transform into micro Finance bank (MFB), subject to meeting the minimum regulatory Requirements as shall be determined by the Registrar of Microfinance Banks (the Registrar) in Zimbabwe (Zimbabwe Microfinance Policy, 2008). Most micro finance institutions are still located in urban areas offering small loans to people who have a salary and collateral security such as household property which they can attach if a client fails to pay. These micro finance institutions require

a payslip as proof of employment for one to acquire a loan which rural people do not have. The policy tried to address the problem of concentration of micro finance banks in urban areas. To address the imbalance, this policy framework shall promote an even spread of micro finance banks, their branches and activities (Zimbabwe Microfinance Policy, 2008). Although this is a positive move towards rural inclusion spreading of micro finance institutions to rural areas needs to be supported by appropriate infrastructure development. There are two options which can be used to facilitate these services. Brick and mortar approach which involves the construction of buildings by the government for the institutions to use at lower rentals can be implemented. This approach can attract micro finance institutions because their rental costs will be lowered. The other approach will be the use of mobile banking programmes on which fuel used in these programmes will be subsidised by the government. E- Banking technology can also be used to facilitate rural micro finance services. A good example of e-banking which clients can be the Eco Cash, Tele Cash and One Wallet services which can be used for loan disbursement and loan repayment. These services offered by mobile companies can be utilised by micro finance institutions to disburse and collect loan payments without necessarily relocate to rural areas which increase expenses. However there is need for government to review the mobile service charges or subsidise them. The government should assist the mobile service providers in installing booster in remote areas to improve network coverage. Commercial banks currently engaging in micro finance services, and do not wish to set up a subsidiary, shall be required to set up a department/unit for such services and shall be subjected to the provisions of the MFB regulatory and supervisory guidelines as stipulated by the Registrar (Zimbabwe Microfinance Policy, 2008). This provision has given room for commercial banks to participate in micro finance. Commercial Banks like CBZ and Kingdom managed to utilise this initiative. According to Klinkhamer, (2009) CBZ offers group lending as well as individual lending

products. However CBZ needs to extend its services to rural areas and assist poor people start small businesses. Some commercial banks like Kingdom through Microking have managed to work in collaboration with NGOs like CARE international in financing agro-dealers who supplied agricultural inputs. Up to 2008 there were 441 groups that Microking was working with and it also has a so called subsistence loan product for the poorest of the poor (Klinkhamer, 2009). This initiative has seen rural people benefiting through business training which is offered by the commercial bank before small loans are disbursed.

Barclays bank has also embarked in microfinance in collaboration with World Bank. Barclays Bank was a participant in the World Bank funded government operated MSE scheme and also enjoyed a guarantee from Swedish International Enterprise Development Corporation (SWEDECORP) that covered 40% of loan defaults and a matching US dollar credit line from Hivos that acted as guarantee (Klinkhamer, 2009). In this case the micro finance policy has given room for participation of commercial banks in microfinance and even allowing them to work in collaboration with international banks but there is still a problem of failing to adequately including the poor in the rural areas. The other challenge with micro finance from commercial banks is that they do not offer loans to farmers with less than five hectares. In this case they are being exclusionary. Micro finance to small holder farmers should not be determined by size of farm because some farmers have small pieces of land on which they practice intensive farming and have better yields.

The Agri Bank is owned by Ministry of Finance and Ministry of Agriculture and is meant to assist farmers with agricultural loans. Agri Bank has the largest country branch network with 54 branches but it is facing a problem of capitalisation (Klinkhamer, 2009). Agri bank also has rural network coverage. It also needs to engage a follow up mechanism on farmers who would have obtained some loans so that the loans are invested into agriculture. Lack of follow up mechanisms will lead to misuse of loans and failure of repayment by farmers.

Lack of clarity in land title deeds continues to hamper the provision of microfinance loans to the rural poor. Although the government has given ninety nine year leases to the newly resettled farmers commercial banks are not willing to take these leases as collateral. However the government is also justified in not giving land title deeds to rural people because if land is used as collateral many poor people will lose their land to micro finance institutions exacerbating poverty in the rural areas.

The government, through its various ministries and arms, shall be responsible for maintenance of a stable macro-economic environment, provision of infrastructure, creation of conducive legislative and regulatory framework that encourages sustainable and efficient growth of the microfinance sector and eliminates barriers of entry into the financial market (Zimbabwe Microfinance Policy, 2008).

The government of Zimbabwe has tried to create a stable environment by using the United States dollar and the South Africa rand as a stable currency as compared to the Zimbabwean dollar which lost value due to hyperinflation. Although many depositors lost their money through the dollarization the initiative has helped in creating a stable economic environment. However due to the 2008 economic crisis many depositors have lost trust in the Zimbabwean banking system.

The government still has to deal with corruption in some micro finance programmes like the mechanisation programmes through Finscorp which was under RBZ. Influential political activists managed to get the tractors, ploughs and the combine harvesters especially in rural areas and newly resettled areas. The poor did not benefit from the programme. Finscorp also offered loan capital for agricultural machines but the programme was not properly advertised in rural areas for people to benefit. There is need for proper information dissemination in local language through radios and visits to rural areas. If corruption in the mechanisation

process is not dealt with the poor in rural areas will not be able to transform their farming from subsistence to commercial farming.

The government still has a challenge in the provision of necessary infrastructure in rural areas. The government set up the Infrastructure and Development Bank of Zimbabwe (IDBZ) as vehicle for the mobilisation of infrastructure development finance from both domestic and international sources (Klinkhamer, 2009). The IDBZ has not managed to improve the infrastructure in rural areas. Some rural areas in Mwenezi and Bikita are no longer accessible because some bridges have been destroyed by heavy rains and they have not been renovated. Electricity is still scarce in rural areas even in areas where tobacco is being grown. Farmers use wood to dry their tobacco. However some NGOs have assisted the government through the construction of dams in Bikita which are being used for irrigating nutrition gardens throughout the year. The government should engage more Public Private Partnerships and joint ventures to improve infrastructure in the rural areas.

In terms of legislation the government needs to revise the licence renewal period and procedure for financial institutions. According to Klinkhamer, (2009) micro finance licences are renewed every year. This legislation will not attract NGOs to rural areas because micro finance projects in rural areas need a longer period whereby people need enough time to be trained, have pilot surveys and start the projects which may take longer than one year to be mastered by clients and to be completed. Renewal requirements also need to be simplified. Renewal of licences for micro finance institutions should be reduced to attract more institutions to the rural areas.

Taxation is high in Zimbabwe for example income tax for companies is 35% of the profits (Klinkhamer, 2009). For rural people to benefit from the services of micro finance institutions the government has to reduce income tax or give tax holidays for micro finance

institutions operating in rural areas. This would make rural areas attractive to micro finance institutions hence reducing poverty.

Obtaining of licence should be simplified so that more long term projects can be launched in the rural areas where the majority of people who do not have access to micro finance services live. The micro finance policy was well formulated what is needed is for it to be implemented and make amendments where necessary. There is also need to maintain a stable macro-economic environment which motives investors to invest in rural micro finance as well as making efforts to curb corruption in government services meant to benefit the poor.

ZIM ASSET

The Zimbabwe Agenda for Sustainable Socio- Economic Transformation (ZIM ASSET) document was crafted by the ZANU PF government in 2013. The mission of the document is to provide an enabling environment for sustainable economic empowerment and social transformation to the people of Zimbabwe. This is meant to reinforce the implementation of the indigenisation and empowerment policy. The aim of the document is to make Zimbabwean benefit from the resources such as minerals which are in the country rather than having foreigners enjoying these resources and remitting proceeds to their home countries. In some way it is meant to reduce poverty among the Zimbabwean people. The aim of the ZIM ASSET is to address the challenges hindering delivering of high quality services to citizens and economic growth.

The government of Zimbabwe has made various efforts to empower its people. In 1999 it embarked on the Fast Track Land Reform Programme to give access to land to many people who were landless as a result of colonization. Although the land reform was criticised by the international community and even attracted economic sanctions the fact that many landless people got land cannot be denied. Some scholars argue that the poor got the poorest land.

However some poor people managed to get productive land which they are using productively and their living standards have since improved.

Through the Indigenisation policy the government introduced the Community Share Ownership Trust and Employees Share Ownership Schemes. The Community Share Ownership Trust is give mining companies the mandate to develop the communities in which they will be operating in for example Zimplats through this policy has build schools and clinics for the Mhondoro community as a Corporate Social Responsibility programme. Companies are also mandated to employ locals so that their living standards can be uplifted. Improvement of infrastructure can make rural areas accessible to micro finance institutions. The Trusts and Employee Share Ownership Schemes give mining companies the mandate to sell shares to their employees rather than having the whole company being owned by foreigners. However the Community Share Ownership Trust can be used as a source of micro finance for income generating projects by villagers.

The ZIM ASSET also supports the micro finance institutions. The overall assumptions of the ZIM ASSEST are as follows:

- (a) Improved liquidity and access to credit by key sectors of the economy such as agriculture.
- (b) Establishment of a sovereign wealth fund.
- (c) Improved revenue collection from key sectors of the economy such as mining.
- (d) Increased investment in infrastructure.
- (e) Increased Foreign Direct investment
- (f) Establishment of Special Economic Zones
- (g) Continued use of the multi-currency system

The ZIM ASSET just like the micro finance policy is concerned about the provision of credit to key sectors of the economy like agriculture. Agriculture is the main source of livelihood in rural areas and appropriate support of the poor engaged in agriculture will transform the rural areas. One such initiative which has seen the improvement of agriculture in rural areas is through contract farming. Contract farming is conducive to poor people because the contractor provides the inputs needed for the production which poor people do not have. It gives them the capital to transform their subsistence farming to commercial farming. It also offers training in crop production which the poor do not have. This knowledge is very important because they can use it even when their contract has been terminated. According to Klinkhamer, (2009) an inventory undertaken by SNV found the highest number of small holder reached through contract farming in the cotton subsector to be 77 000 for COTTCO and 70 000 Cargill, 5000 Cains and 45 000 Delta. Contract farming gives room for locals to benefit from foreign owned companies at the same time alleviating poverty in rural areas. More companies are engaged in contract farming with companies like Exhort, FAVCO, Interfresh and Servcor recently involved.

Establishment of a Sovereign Wealth Fund is critical for micro finance development in Zimbabwe. The Sovereign Wealth Fund with revenue accumulated from export of mineral resources such as diamonds, gold and platinum can also be used to facilitate wholesale lending to micro finance institutions operating in rural areas. United Arab Emirates has established a Sovereign Wealth Fund through the export of oil. The Sovereign Wealth Fund can also be used for infrastructure development activities in rural areas such as the construction of roads and dams to improve agriculture in rural areas. It can also be used for subsidising agricultural inputs for poor farmers in rural areas.

The establishment of the Sovereign Wealth Fund should be coupled with the effective collection of revenue from other key sectors of the economy such as agriculture and the

manufacturing industry. The government should also create a conducive environment for Foreign Direct Investment (FDI) which will create revenue through taxes and this revenue can be deposited into the Sovereign Wealth Fund. The continued uses of the multi currency will maintain a stable macroeconomic environment to attract FDI.

Agricultural Special Economic Zones can be established through the ZIM ASSET. The companies in these zones can establish backward linkages with farmers in the rural areas through contract farming. If these zones are established in large numbers small holder farmers in the rural areas will be engaged thereby facilitating rural development.

As strategy to boost economic growth the ZIM ASSET seeks to avail and increase economic opportunities women, youths and the physically challenged in communities. This strategy can be used to assist women in the rural areas with training on Village Self Help Groups. It can also be used to offer small loans to start small businesses in the rural areas. The youths, women and the physically are usually marginalised by formal micro finance providers.

Fostering strategic linkages and information among SMEs and cooperatives across all sectors of the economy is another strategy which is going to be employed by ZIM ASSET. For these SMEs and cooperatives to achieve meaningful results there is need for micro finance services to the informal sectors. Support of these SMEs and cooperatives will also create employment in the country. Linkages between SMEs and micro finance institutions should also be fostered.

Since many government micro finance institutions like SEDCO are facing the challenge of capitalisation the ZIM ASSET has plans to recapitalise SEDCO to finance women and the youths. There is also need to recapitalise institutions like Agri Bank and POSB which have branches in the rural areas for women and youths in the rural areas to access. There is also need to open SEDCO branches in rural areas as well as setting up mobile units for people in

remote areas to access. SEDCO can also utilise already existing structure in Agri bank and POSB branches.

The ZIM ASSET has four clusters meant to achieve development which can be supported by micro finance institutions in rural areas. The clusters are as follows: Food security, Social services and poverty eradication, Infrastructure and utilities, and Value addition and beneficiation

All the above clusters need the support of micro finance institutions. Under the poverty eradication cluster the ZIM ASSET has included gender mainstreaming. Gender mainstreaming enhances the reduction of feminization of poverty. When poor people are engaged in viable cooperatives they can afford critical social services such as health facilities. Food security can also be achieved because the poor will have money to buy food during droughts. Infrastructure and utilities will attract micro finance institutions to service rural areas.

Value addition to agricultural product will raise the profits earned by rural farmers raising their living standards. The food security and social service cluster also facilitate the attainment of Millennium Development Goals on the eradication of extreme poverty and hunger and the promotion of gender equality and empowering women just like in the Micro finance policy. Value addition on minerals such as platinum, diamonds and gold leads to more revenue being added to the Sovereign Wealth Fund.

On the eradication of poverty cluster output ZIM ASSET also plans to fund women's groups under the Women and Development Fund through accessing micro credit. However this initiative has to be coupled with capacity building. There is need to mobilise resources from donor agencies. The Ministry of Women Affairs and Gender should have structures at village

level which will hold workshops at different intervals on how will women can improve in their projects as well as sourcing markets.

The women group need to be supported by insurance. According to Klinkhamer, (2009) Jupiter Insurance offers a well developed agricultural menu of insurance services for cattle, wheat, tobacco and cotton. Such services help women to recover from natural disasters such as drought. Insurance can then be used as collateral security in micro finance institutions because value would have been attached to livestock like cattle.

Micro finance in developing countries is also affected by global economic crisis. Effect of the crisis to Africa could manifest through drying up of liquidity and capital flows, aid programs and trade. The great recession has led to reduced capital flows to developing nations and this also affect NGOs willing to offer micro finance to rural areas.

2.4 An examination of models of rural micro finance and how they are run

There are various models that have put in place to improve access to rural micro finance. Some institutions are formal and some are informal.

Informal institutions.

Self Help Groups

The Savings led approach is more important for very poor clients than credit facilities (Seep Network, 2006). Group members contribute towards a group fund from which they can borrow at an agreed interest rate. These groups are often referred to as Self Help Groups (SHGs). In India strong SHGs which perform well can negotiate access to bank loans. According to Kabeer, (2008) SHGs approach was pioneered by Mysore Rural Development Agency (MYRADA) in South India and is more savings led. SHGs are more appropriate to

rural women who have limited time due to a heavy household workload. There is little group pressure for repayment as in the Grameen group lending model. There are no transactions costs in this model as compared to bank loans. SHGs help in building self confidence and negotiating power when members are borrowing. There are also non financial benefits on SHGs in the few meetings which they hold. BRAC in Bangladesh offers health services to its members.

Merry-Go-Round

Merry go round model is composed of twenty members who contribute a specified amount of money regularly (Macheka and Malaba, 2010). This model is common among women and often uses the proceeds to buy kitchen utensils. Members get lump sum amounts at different intervals which they can use to buy what they want. There is no interest charged.

Formal institutions

Community owned rural finance model

Community owned rural finance model is a rural finance model that is owned and managed by the rural community with assistance from donor agency (Macheka and Malaba, 2010). The institution first goes through a registration process. They are mainly found in rural areas where there are high incidences of poverty. In Kenya Financial Services Associations and Church based Mbeu Savings and Credit Associations fall under Community Owned Rural Finance model. In Financial Services Association members raise capital through contributions and build their own structure in which they will operate from. The donor will assist with the provision of furniture, insurance, audit fee and capacity building.

The Mbeu Savings and Credit Association is a Catholic Diocese and foreign donor based organisation and has a clear exit strategy. Services such as offering of loans are done by loan officers who use motor cycles to get to clients. To cut rental costs groups of clients meet with

officers under a big tree or church compounds. This strategy has led to the Mbeu Savings and Credit Associations reaching many remote areas. A recent study shows that 60% of households in the remote Mbeere District of Kenya deposit their savings with Mbeu Savings and Credit Associations (Macheka and Malaba, 2010). This shows that the model has become popular with rural households.

Donor Funded Rural Banks

The Grameen rural bank model is the popular for offering loans to poor women. The Grameen Bank model provides credit to rural poor particularly to women who own less the half an acre of land or whose assets do not exceed the value of an acre of land (Khandker, 1996). The group is used as collateral because it is the one which gives pressure to members to repay the loan because if one member fails to repay the group will not get a loan in future. The group will comprise of five women and group will get assistance from a Grameen bank worker. A group chair person whose responsibility is to conduct the activities of the group is chosen by the group.

Private Commercial Bank Model

These are emerging indigenous banks which are meant to serve rural people and low income people in Kenya. Equity Bank which works with principle of taking banking services closer to the people, 68% of clients are rural and 28% of the total deposit volume, given the relatively lower average savings account size of rural clients (CGAP, 2004). Rural farmers in Kenya have benefited through short term loans which they use for horticulture, dairy and coffee farming. Equity bank offers product that designed to assist low income clients who are denied access by traditional banks.

Like the POSB in Zimbabwe the Equity bank charges a very low very low operating balance on the deposit account. Opening an account is also easy as not only requires a national

identity card and the opening fee. Traditional banks require payslips and proof of residences as well as letter from the employer which the poor might not have. Passport size photos used for opening the account is taken free of charge by Equity bank. To avoid savings account accumulating charges there is no maintenance fee charged and withdrawal charges are very low. The interest rate charged by Equity bank is 1% and 1.5% per month or 12% to 18% per year (Macheka and Malaba, 2010).

Mobile banking with Equity bank.

Mobile bank has been widely accepted in many countries such as South Africa, Vietnam, Thailand, Indonesia, West Africa and Bangladesh as an innovative and low cost distribution system of improving financial services in remote areas where there are non- formal banks (Coetzee et al, 2003). The benefits of mobile banking out way the costs. Two bank officers and two security officers use a van to offer services to remote areas. For sustainability one mobile unit requires 1500 clients (Macheka and Malaba, 2010). Although the bank charges an extra fee monthly the fee is quite reasonable. The mobile bank services saves clients on transport and time spent travelling to urban areas to access services from formal banks. Mobile banks established through demand and they can be converted to fully fledged branches.

Government led rural finance model.

This is a government owned, financed and managed model that provide credit services to large scale farmers with an objective of promoting food security and in Kenya the model works through the Agricultural Finance Cooperation (Macheka and Malaba, 2010). Such cooperation is used for the implementation of many government and donor sponsored programmes such as agricultural mechanisation and livestock production. The government of Kenya offers value addition loans to farmers for improvement on their abattoirs, tea nursery

and milk processing. In Zimbabwe the government offers small loans to women and youth through the Ministry of Women and Gender Affairs

Donor Guarantee Input supply model.

The donor guarantee input supply model is divided in two types, the stockist guarantee and the credit voucher system. The guarantee offered by the donor reduces credit risk on the manufacturer of inputs. The stockist credit guarantee system is a model of building lending capacity between the commercial manufacture of agricultural input and the input stockist (Macheka and Malaba, 2010). The input stockist or shopkeepers are located in rural areas. This is meant to assist rural agricultural stockist access stock because they lack the requirements of the producers. The rural stockists first receive training on knowledge on inputs and business skills from the donor. The assumption of the donor is that by assisting stockist to access stocks rural farmers' access to agricultural inputs will also improve hence increasing agricultural productivity and income to farmers. The model improves linkages between farmers, manufacturers, stockists and wholesalers. However the donor offers to pay 50% of loan in case of non payment.

Credit Voucher System

The Credit Voucher System is a model providing inputs on credit voucher and cash (where voucher cannot be sold) (Macheka and Malaba, 2010). The voucher system reduces the likelihood of credit diversion to other needs. It involves the donor, input stockist and the government. Rural farmer buy the voucher which they can use to buy agricultural inputs at a subsidised rate. In Zimbabwe the voucher is used in Murehwa to improve access to agricultural inputs to farmers.

2.5 Challenges encountered by micro finance institutions, clients and staff in providing and accessing rural micro finance.

Rural areas are under serviced by financial institutions despite the fact that there is greater population living in the rural areas. As of June 2006 in Zimbabwe, 333 banks branches (88.3% of the total branches in the network) were within the urban centres where 34.8 % of the population reside, while rural communities were serviced by 44 branches (11.7 % of the total branches in the network) despite the fact that 65% of the population reside in rural areas (Klinkhamer, 2006). There are various reasons for this imbalance which are going to be discussed below.

Micro finance institutions face problems in disseminating finance information to rural areas. According to the Reserve Bank, (2007) there are high information costs, transaction and monitoring costs in establishing rural branches. Although the literacy rate is high in Zimbabwe as compared to other developing countries there is need to write some documents in local languages for people to understand. This is costly to banks because they would employ translators and its time consuming. The monitoring of financed projects is also high because the households are sparsely spaced leading to high cost on fuel and time. Transactions may take a long time due poor network system in the rural areas.

For bank branches to be sustainable in rural areas there is need for regular deposits and withdrawals. There is a challenge of seasonality of deposits in rural areas (Reserve Bank, 2007). Rural people rely on agriculture as source of livelihood. This negatively impact on rural banks because during agricultural off season there will be no business. Also during natural disasters like droughts farmers will not have money to deposit.

Rural people do not acceptable collateral security. According to Reserve Bank, (2007) there is lack of acceptable collateral in the absence of legal title to land. In most rural areas in

Zimbabwe people have ninety years leases which some banks do not accept as collateral security. Some banks like CBZ only give agricultural loans to smallholder farmers with five hectares of land. This means all the farmers with less than five hectares are excluded from such services.

Due to distance transport for both clients and staff can be expensive (Maggiano, 2006). Some rural areas have poor roads and transport operators shun them. Transport operators who operate such areas charge exorbitant price which the poor cannot afford. Some areas are even inaccessible by road. Micro finance staff members find it difficult to reach such areas.

According to Maggiano, (2006) education levels are substantially lower in rural areas, so financial literacy is a bigger concern. Bank staff members find it difficult translating financial language to the level which rural people can understand. Some rural people may not be willing to take loans because of failure to understand financial jargon. Banks may also require financial statements from rural people which may be nonexistent. Rural people with poor education find it difficult to analyse credit risk and the profitability of a project. They also find it a challenge providing all the information required such as business plans or even to understand the conditions of the contracts.

In Uganda micro finance staff members face language challenges, English is the official language but the country is home to more than eighteen local languages (Maggiano, 2006). In such a case micro finance institutions are limited in the staff they can hire because they should be able to communicate in all the areas they will be providing services as well as being able to communicate with international donors. Those who are able to speak local languages may not have the qualifications required by the micro finance institutions.

There is lack of wholesale funding to rural micro finance institutions in Zimbabwe. Agro-processing firms and other financial institutions operating in rural areas are in dire need of

medium or long term financing, which can then be wholesaled to smallholders (Klinkhamer, 2009). As long as this loan capital is absent rural micro finance will not cover the necessary population. Wholesale funding accessibility increases the number of rural micro finance institutions in rural areas. Institutions also need funds to cover operational costs, train staff and clients as well as doing pilot surveys on their intended clients.

Banks and other financial institutions located in the rural areas fail to attract qualified and motivated staff due to the hardships found in rural areas. Klinkhamer, (2009) argues that credit risk is exacerbated by operational risk, as institutions have difficulty recruiting highly qualified staff to reside in rural areas. Staff member are not willing to relocate to rural areas because there are no attractive incentives.

Typical micro finance products offered in Zimbabwe are not always well adapted to local needs, for instance, the frequency of repayments is often not in line with business cycles and seasonality (Klinkhamer, 2009). Since agriculture is the main source livelihood in the rural areas loans that require monthly repayment become unsuitable. Loans with high interests are also not suitable in rural areas where people have low income which are seasonal.

Klinkhamer, (2006) argues that currently, there are not enough linkages with different types of partners that could stimulate rural finance. Linkages are important in that they facilitate market access which may be the missing link for farmers in the rural areas. They can also be used to link farmers to contract farming. There is also need for linkages with donor agencies such as Oxfam and World Bank who have the funds to transform the rural areas. Linkages can also be used in sharing ideas and skills with countries like Bangladesh which have success stories of rural micro finance.

There is lack of training in some credit unions and cooperatives in rural areas. Savings and loan cooperatives need a substantial amount of new and refresher trainings so that their board

members thoroughly understand and are able to perform the duties as part of the governance structure of a financial institution, even if it is very small. Lack of training can lead to ineffectiveness of rural micro finance institutions as some board members even misuse cooperative funds.

Although most micro finance institutions aim to reach the poor people, it has become increasingly apparent that they rarely serve very poor people (Seep Network, 2006). The upper poor are the ones who benefit most as compared to the very poor. The very poor are often excluded in such programmes making the projects ineffective. The cost of transport to meetings and time lost attending such meeting has proved to be a challenge to the very poor.

Many individuals lending or savings programmes require clients to save a certain amount before they can access loans, a practice that often prevents participation by the very poor people (Seep Network, 2006). Even if the amount of money to be contributed can be very small in the eyes of micro finance institutions very poor people may not have such money. Sometimes they are required to buy vouchers in which they would buy farm inputs at a subsidised price but very poor people may not even afford purchasing those vouchers no matter how cheap they may be.

In Zimbabwe ESAP negatively affected micro finance. This policy led to an increase in interest rates, hence reducing the access to loans by the poor (Moyo, (1999) in Mago, 2013). It became difficult for the poor to borrow because the requirements for borrowing became stiffer. Even development banks which used to be more flexible and would look at project viability rather than short term profitability now tend to look at profitability (Moyo, (1999) in Mago, 2013). This development further reduces access to micro finance to rural people because most donors who operate in rural areas get their funds from international banks like the World Bank.

Politicisation of government rural micro finance strategies is a major problem in developing countries. According to Mago, (2013) the government is also a supplier of micro finance resources to the poor, however the latter has been politicised. In Zimbabwe the Maguta programme has been heavily politicised. Those who were politically connected are the ones who benefited from the programme. The poorest of the poor did not benefit from the programme.

In Kenya Financial Services Associations face security problems. Financial Services reported close to ten robberies in 2005 and monetary loss from these incidences has been estimated at Ksh one million not to mention bodily harm to security guards (Macheka and Malaba, 2010). This challenge can negatively affect rural micro finance innovations which are critical to the eradication of poverty in rural areas.

Lack of sustainability affects most rural micro finance institutions. High interest rate charged by Financial Service Associations may discourage borrowing thus deny the revenue required for sustainability (Macheka and Malaba, 2010). The interest rate of 12% per annum added to 2% loan insurance can be exorbitant to poor people in the rural areas.

Summary

From the above discussion it can be concluded that microfinance is very important because it has various advantages to poor people. The attitude of staff members and clients towards microfinance vary among people with the poor sometimes excluding themselves from microfinance initiatives. The microfinance policy has various strategies to improve the outreach of micro finance to rural areas but there are some challenges that need to be addressed to improve the rural outreach. There are also various models of rural micro finance that can be used to improve the outreach.

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This chapter provides an outline of the research methodology was used in this study. It brings out the data sources, methods of data collection and the analysis under which the research was done in order to address the research objectives stated in chapter one of this study.

3.1 Research Design

The researcher triangulated qualitative and quantitative research methods. Triangulation of both methods gives flexibility and the advantages of both methods are combined. Quantitative research tends to subscribe to a particular empirical approach to knowledge, believing that if we measure things accurately enough we can make claims, with considerable certainty, about the object of study (Langridge, 2004). Quantitative research enabled the researcher to make claims about the ability of women micro finance institutions to reduce poverty in ward 20.

Langridge, (2004) further argues that quantitative research tends to be more concerned with prediction rather than mere description. Quantitative research showed how Fushai is likely to perform in future. It assisted in assessing its viability and sustainability rather than just describing its activities. Both open ended and closed ended questions were used. According to Ranjit, (2005) closed ended questions are extremely useful for eliciting factual information and open ended questions for seeking opinions, attitudes and perceptions. Triangulation of questions helped the researcher in obtaining all the information necessary for the research.

The researcher used qualitative method of study to assess the role played by rural women micro finance groups in eradicating poverty. This is because qualitative research methods claim to describe life worlds from the point of view of respondents (Flick et al, 2004). This

was appropriate to the study because the researcher wanted to know the role played by micro finance in eradicating poverty from the view point of women and borrowers. Flick et al, (2004) further argues that by doing so qualitative method seeks to contribute to a better understanding of social relations and to draw attention to process, meaning, patterns and structural features. In this case qualitative method was used understand the social relations that prevailed within the group members themselves and between the micro finance group and borrowers. It is also helped in establishing how these groups were formed. The processes involved in the formation and day to day running of the micro finance group were also explored. The structure of the group in terms of leadership was also established through the use of qualitative research.

The case study method was used in this research. The case study method allows investigations to retain a holistic and meaningful characteristic of real life events such as individual cycles, organisation and managerial process, neighbourhood change, international relations and maturations of industries (Yin, 2003). In this case real life events of poverty were explored taking into consideration life situations before and after the women's micro finance groups were started. The case study method helped clarifying if the micro finance was a viable business within the community. Managerial processes within the microfinance group were also be explored. The case study method was used to see if there has been a meaningful change in the neighbourhood as a result of the micro finance group.

The case study's unique strength is its ability to deal with a full variety of evidence, documents, artefacts, interviews, and observations beyond what might be available in a conventional history study (Yin, 2003). The use of various qualitative methods of collecting data meant that the researcher collected all relevant information about the role of rural women's micro finance in eradicating poverty.

According to Bouma and Ling, (2004) the case study method answers the question ‘what is going on?’ In this case the case study method of study will give other development planners and donor agencies information about what is actually taking place in Ward 20. The activities being done by these rural women will be clearly laid down and areas which need government and donor agencies intervention will be outlined.

However the case study method has some disadvantages. Yin, (2003) states that the case study method takes too long and result in massive and unreliable data. To overcome this problem the researcher compressed and screened the data so that only reliable and relevant data remained. The other disadvantage cited by Yin, (2003) is that the researcher may have biased views to influence the direction of the findings and conclusions. The researcher going reported evidence fairly so as to prevent bias and gave a correct and valid representation of facts.

3.2 Data collection

In order to collect data for this study the researcher used a combination of both questionnaires and interviews. This is because the data which was collected was both qualitative and quantitative as discussed earlier on in this chapter.

Interview

There are basically two types of interviews face to face and telephone interviews. The researcher used face to face interviews due to the remoteness of the area of study. In the face to face interviews the interviewer is in a good position to be able to judge the quality of the response of the subjects, to notice if the question has been properly understood and to reassure and encourage the respondent to be full in his or her answer and visual signs, such as nods, smiles etc are valuable tools in promoting complete responses (Walliman, 2005). The

visual tools cannot be noticed when telephone interviews are used. Furthermore telephone interviews are more appropriate in developed societies. Some rural areas are still underdeveloped and some key informants may not even own a cell phone. There is also poor network coverage in ward 20.

The researcher used open ended interviews in which key informants who are members of the rural micro finance group were interviewed and they explained how the micro finance group has transformed their lives. According to Walliman, (2005) if one needs to explore a situation and wish to get information which you can cannot predict, a very open and unstructured form of interview is appropriate. It gives room for the responded to fully explain issues. The problem with the use of open ended questions is that people being interviewed may divert from the subject under discussion. To overcome this problem the researcher used an interview guide.

Five in-depth interviews were used. The idea of in depth interviewing is to get a 'window' on reality from the stand point of a participant and to allow them to tell their story as they wish, identify the issues that are important to them (Bouma, 2004). The respondents were also able to fully express their thoughts.

These interviews were targeted to seven groups which are Tagarika, Yambukai and Kudadisa groups which had five members each, Chiyedza had eight members, Kuyedza had eleven members, Takunda had six members and Tabudirira had ten members. Kudadisa group no longer exists due to internal conflict which will be discussed later in the dissertation. Different group with varying years of existence were interviewed so that the impact of Fushai to rural livelihoods can be assessed.

Questionnaire

Ten borrowers were interviewed through questionnaires to assess the attitude of clients towards Fushai. Five staff members from banks, five members from NGOs and five members from micro finance institutions were interviewed to assess their attitude towards rural micro finance. Fifty questionnaires were administered to Fushai members. According to Rubin and Rubin, (2005) as a method of data collection, the questionnaire is a very flexible tool, but it must be used carefully in order to fulfil the requirements of a particular piece of research. Questions were structured as per the research objectives. Questionnaires also save time and money. However the disadvantage of the questionnaire is that its questions are fixed and the same questions will be asked to different respondents. In-depth interviews were used to overcome this problem.

There are two ways in which questionnaires can be administered. This can be through post or personal delivery. The researcher administered the questionnaires personally because of the remoteness of the area of study and the fact that it takes a long time to deliver questionnaires to respondents through post. Walliman, (2005) argues that the advantages of personal delivery are that respondents can be helped to overcome difficulties with the questions and that the personal persuasion and reminders by the researcher can ensure a high response rate. Due to high illiteracy rate in rural areas some respondents may not be able to answer some of the questions on their own. They were assisted by the researcher. Further more rural areas do not have house addresses the letters are delivered through the school address. It is also costly to post the questionnaires. The reasons why some people refuse to answer the questionnaire can also be established and there is a possibility of checking on responses if they seem odd or incomplete (Walliam, 2005). This cannot be achieved if questionnaires are administered through post because respondents will just throw them into the dust bin without any further communication.

Walliam, (2005) further argues that questionnaires are not suitable for questions which require probing to obtain adequate information, as they should only contain simple, one stage questions. In-depth interviews were used for further probing.

Observation

Observation is basic qualitative research technique that requires discipline, planning and alertness (Bouma, 2004). Observations assisted the researcher in assessing reality about the assumptions which he or she would have made. There are two types of observations non participant and participant observation. Walliman, (2005) states that participant observer is seen as involved in the process or activity. In this case a participant observer will be actively involved in the activities of the micro finance group. The researcher was a non- participant observer. In non-participant observation, the researcher stands back from the situation and observes (Bouma, 2004). This is because the researcher does not enough time to be involved in all the activities of the micro finance group.

3.3 Sampling Techniques

The researcher is used non probability sampling method. Snow balling sampling was used. Snow balling is a restrictive multi-stage sampling in which units (respondents) are selected and later, additional sampling units are based on referral process (Panneerselvam, 2006). Initially the reseacher selected respondents whom she thought had the necessary information and the selected respondents later referred her households which had women involved in Fushai. Fushai members then referred the researcher to borrowers. This is because not all women are involved in micro finance groups in ward 20. Panneerselvam, (2006) further argues that snowballing is inexpensive and convenient non-probability sampling method which suits the situations where the development of sampling frame is difficult and time consuming. Since the researcher has limited finances and time snow balling was appropriate.

3.4 Data Analysis

The researcher used Statistical Package for Social Sciences (SPSS) to analyse data. SPSS is the leading statistical package used by social scientists (Langrigde, 2004). It is one of the powerful pieces of statistical software. SPSS was used to analyse data and later the data was used to draw graphs and tables.

3.5 Ethical Considerations

The researcher informed the respondents about the aim of the research and how it was going to assist them. According to Fouka and Mantzorou, (2011) anonymity is protected when the subject's identity can not be linked with personal responses. Names of all respondents were not asked so that they remain anonymous and the information they revealed cannot be linked to them. Although the researcher had an opportunity to view one group's accounts records she decided not to attach it to the research because it is unethical to display the names of borrowers without their consent. Each person has freedom to decide the time, extent and circumstances under which they will withhold or share information (CCCU 2006). When the researcher administered her questionnaires most respondents were harvesting their fields and they would give the researcher specific time to come for the interviews. The researcher respected the respondents' decisions because it was their right to withhold the information up to a time they would be free. According to CCCU, (2006) care must be taken to ensure that the intention of the research is to generate new knowledge that will produce benefits for participants themselves, for other individuals or for society as a whole, or for the advancement of knowledge. To ensure that the research maximise benefits to respondents the researcher is going to debrief members of Fushai on how they can diversify their income generating projects and have more income to improve their standards of living.

Summary

The researcher managed to interview all the intended respondents through questionnaires and indepth interviews. In some cases the researcher managed to see the items that were bought by Fushai members. Data were captured using SPSS and later the data was used to construct graphs and tables.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION.

Introduction

This chapter will focus on the analysis and discussion of the research findings. The chapter is structured as follows, demographics, the importance of rural micro finance, attitude of clients and staff towards rural micro finance, the extent to which the Zimbabwean micro finance policy is facilitating the reduction of poverty in rural areas, models of rural micro finance and how they are run and challenges encountered by micro finance institutions, clients and staff in providing and accessing rural micro finance. The discussion will be done by relating to the literature review provided in chapter two of this study.

4.1 Response Rate

The response rate of this research was 100%. This is because the researcher used snowballing sampling method on which she was being referred to the appropriate respondents who all accepted to be interviewed. The researcher also investigated the nature of employment that the members are in and the results are shown in table 4.1.1 below.

Table 4.1.1: Employment Status

Employment Status * Type of Employment Cross tabulation

		Type of Employment		Total
		Full time non-farming	Fulltime farmer	
Employment Status	Not employed : Count	1	0	1
	% within Employment	100%	0%	100.0%
	Self employed : Count	1	48	49
	% within Employment	2.0%	98.0%	100.0%
Total	Count	1	49	50
	% within Employment	2.0%	98.0%	100.0%

The analysis revealed that of the 2% who said they were not employed were all full time farmers and the 98% who said they are self-employed 2% of them were full time non-farming and 98% were full time farmers.

Household size and Dependents

Table 4.1.2: Descriptive Status

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Household Size	50	3.00	9.00	5.9400	1.64639
Number of dependents	50	2.00	8.00	4.9400	1.64639
Valid N (listwise)	50				

The analysis shows that average size of the households of the members who responded to the survey was 6 with average dependents of 5. The analysis also shows that the minimum size of the households was made up of 3 members with a maximum of 9. Dependents were a minimum of 2 and a maximum of 8 members. Groups members also revealed that the group is free for anyone to join.

Improvement of livelihood

100% of the responding members argued that the group has improved their livelihoods. This clearly shows that the rural microfinance has significantly improved the life of rural population.

Level of Income

100% of the responding members agreed that the group has improved the level of members' incomes. This again implies that the lives of rural population have improved as a result of the introduction of rural microfinance.

According to the Scottish Poverty Information Unity states that people live in poverty when they are denied an income sufficient for their material needs and when these circumstances exclude them from taking part in activities which are an accepted part of daily life in that society (Tenaw and Islam, 2009). Access to rural micro finance gives the poor an opportunity to start small businesses.

Use of the Income

The analysis showed that 66% of the responding members indicated that they use the income basically to buy food, 22% said they use it to pay for school fees and 12% use the money to start income generating projects.

Muzari et al, (2013), indicated that the low income households in Zimbabwe also seek loans to pay school fees for children. The Millennium Development Goal number two states that there should be universal primary education by 2015. Access to micro finance to the poor in rural areas will mean that many children will attain school including girls.

On the issue of starting income generating projects, Allen et al, (2000) stated that there is clear evidence of personal pride and evidence also that people are encouraged to work more energetically than they otherwise, might owing to the need to repay. This obligation to pay must motivate borrowers to start projects. However, this is contrary to the research findings where the majority is borrowing to buy food and other things which are not income

generating projects. Allen et al, (2000) also added that due to the fact that the poor run their own projects in micro finance it gives them a sense of ownership and pride and this gives them dignity. Micro finance also encourages them to work harder due to the obligation of repayment of the loan.

The issue of borrowers using the income to buy food is also supported by the ZIM ASSET program which states that when poor people are engaged in viable cooperatives they can afford critical social services such as health facilities. Food security can also be achieved because the poor will have money to buy food in droughts. Infrastructure and utilities will attract micro finance institutions to service rural areas. In areas like Masvingo which are characterised by low rainfall and food security access to micro finance gives the poor some income which they can use to buy food.

When poor people are engaged in viable cooperatives they can afford critical social services such as health facilities. Food security can also be achieved because the poor will have money to buy food in droughts. Infrastructure and utilities will attract micro finance institutions to service rural areas. Agriculture is the main source of livelihood in rural area and appropriate support of the poor engaged in agriculture will transform the rural areas.

Use of Income * Income generating projects Cross tabulation

Table 4.1.3: Use of Income

			Response		Total
			Strongly agree	Strongly disagree	
Use Of Income	Buy food	:Count	32	1	33
		% within use of Income	97.0%	3.0	100.0%
	Pay for school fees	:Count	10	1	11
		% within use of Income	90.9%	9.1%	100.0%
	To start income generating projects	:Count	0	6	6
		% within use of Income	0%	100%	100.0%
Total		Count	42	8	50
		% within use of Income	84.0%	16.0%	100.0%

The analysis above clearly indicate consistence between the general use of income and the use on income generating projects. Of the 33 who use the money to buy food 97% of them also disagreed that the income is used to start income generating projects and of the 6 who pointed that they use the money to start income generating projects all of them also indicated the same on whether the money is used to start income generating projects. Eleven who said the money is used to pay school fees 10 of them disagreed that the money is used to start income generating projects. This output can also be treated as a challenge since the majority of the members do not use the income to start income generating projects rather they money is spent on buying food which is not sustainable.

Improvement on Community Relations

The analysis revealed that all of the responding members argued that the introduction of the group in their community has improved community relations. This implies that communication and group work has improved in the community.

In order to establish the attitude of borrowers towards Fushai borrowers were asked to comment on whether the members are friendly, the intent to join the group, the importance of the group to them and challenges faced in accessing loans from the group. 100% of the responding borrowers argued that Fushai members are friendly to them. This implies that the borrowers can have a positive attitude towards the group.

The results above are contrary to the observations by Seep Network, (2006) who reiterated that even when very poor people are not actively excluded by a community, they often opt out of community related projects because they are intimidated believing that the services offered by such projects is not suited to their needs.

Borrowers were asked to comment on their intent to join if they are given an opportunity to do so. It was shown that 90% of the participating borrowers indicated that would be willing to join and 10% said they are not willing to do so. This generally shows that borrowers are satisfied and therefore willing to join the groups.

The poor have an attitude of self-selection. It is well known that solidarity groups in Grameen style microfinance programmes and village banks reject very poor members because they might be unable to repay their loan and could thus jeopardize the creditworthiness of the entire group (Seep Network, 2006). In contrast in Fushai poor people are free to start their own groups.

The findings above are in contrary to the general belief by Ravikuma, (2012) who argued that to meet the needs of the poor, the behaviour of organisation's staff towards their clients requires revision and tailoring. This is because bank employees are not willing to assist poor people in their need for micro finance.

Major Source of Income

The researcher also sought to establish the major source of income of the members within the group and results are presented below.

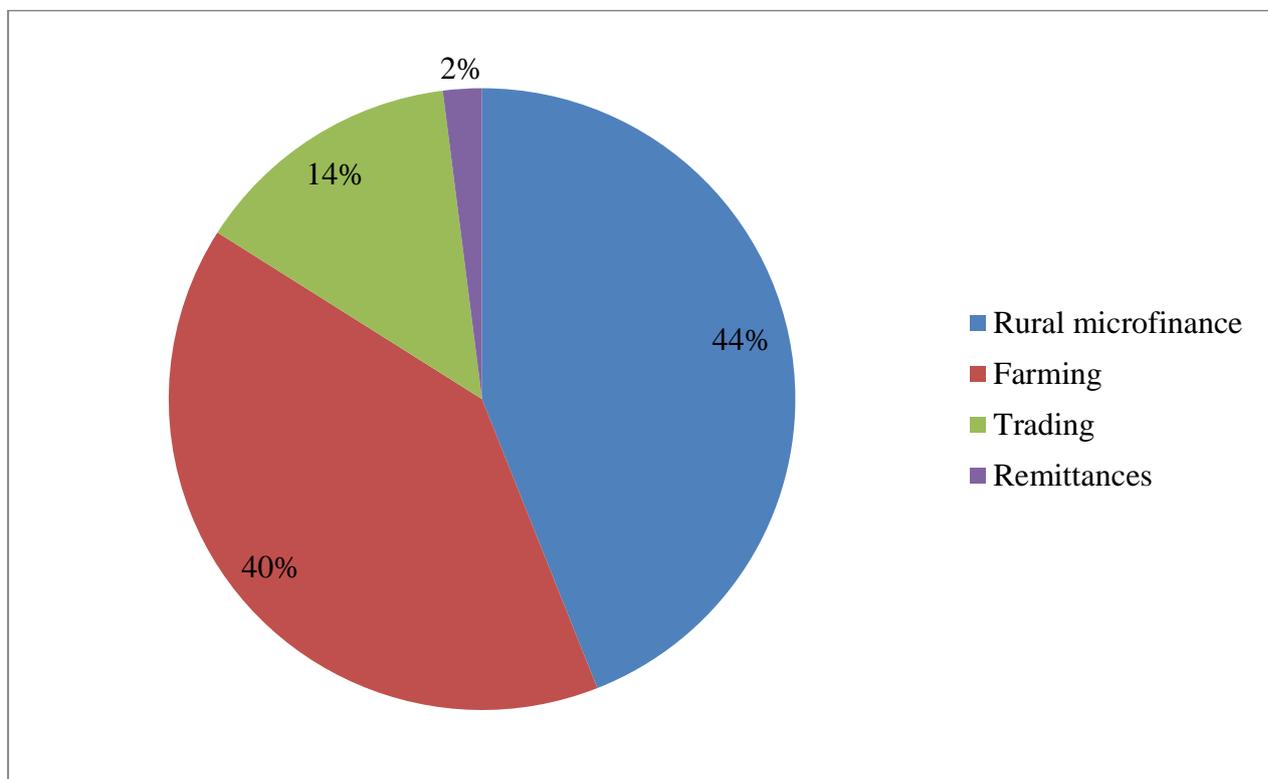


Figure 4.2.1: Major Source of Income

Figure 4.2.1 above has shown that the 44% of the respondents argued that their major source of income is rural microfinance, 40% said it is farming, 14% said it is trading and 2% said it is remittances. It is interesting to note that rural microfinance is the highest major income earner for the members which signify its importance to members within the group.

The advent of micro finance as the main source of income can be compared to the Community Share Ownership Trust can be used as a source of micro finance for income generating projects by villagers.

The mentioning of farming as the main source of livelihood is supported by the ZIM ASSET argument. The program states that Agriculture is the main source of livelihood in rural area and appropriate support of the poor engaged in agriculture will transform the rural areas. One such initiative which has seen the improvement of agriculture in rural areas is through contract farming.

The analysis revealed that 50% have one year and below and another 50% have two years operating in Fushai. This indicates a considerable period of time Fushai has been serving the community.

Use of Borrowed Income

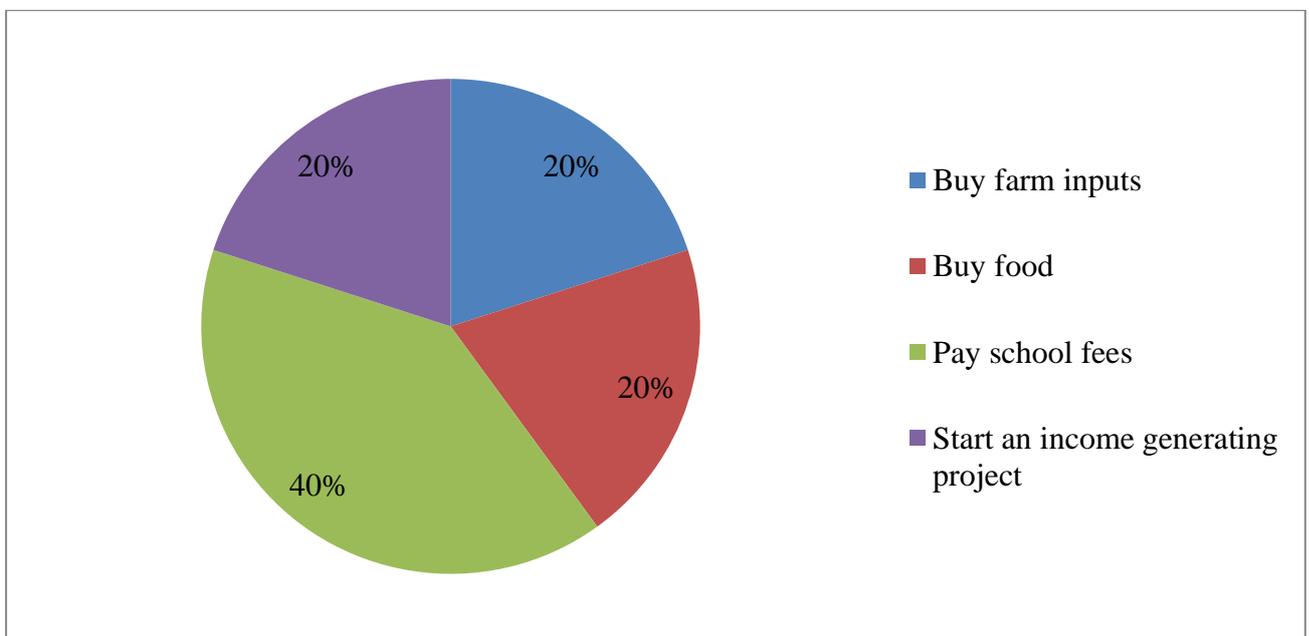


Figure 4.2.2: Use of Borrowed Income

Figure 4.2.2 above shows that 40% of the borrowers use the money to pay school fees, 20% to buy farm inputs, 20% to buy food and 20% to start income generating projects. This implies that poverty in the community has been alleviated on food, fees, farm inputs and projects. However, this will likely challenge the sustenance of the program since little effort is given towards using the money to start income generating projects.

Committee Structure

The researcher assumed that for the rural microfinance to work there is need to have a committee which is given the responsibilities to manage other group members.

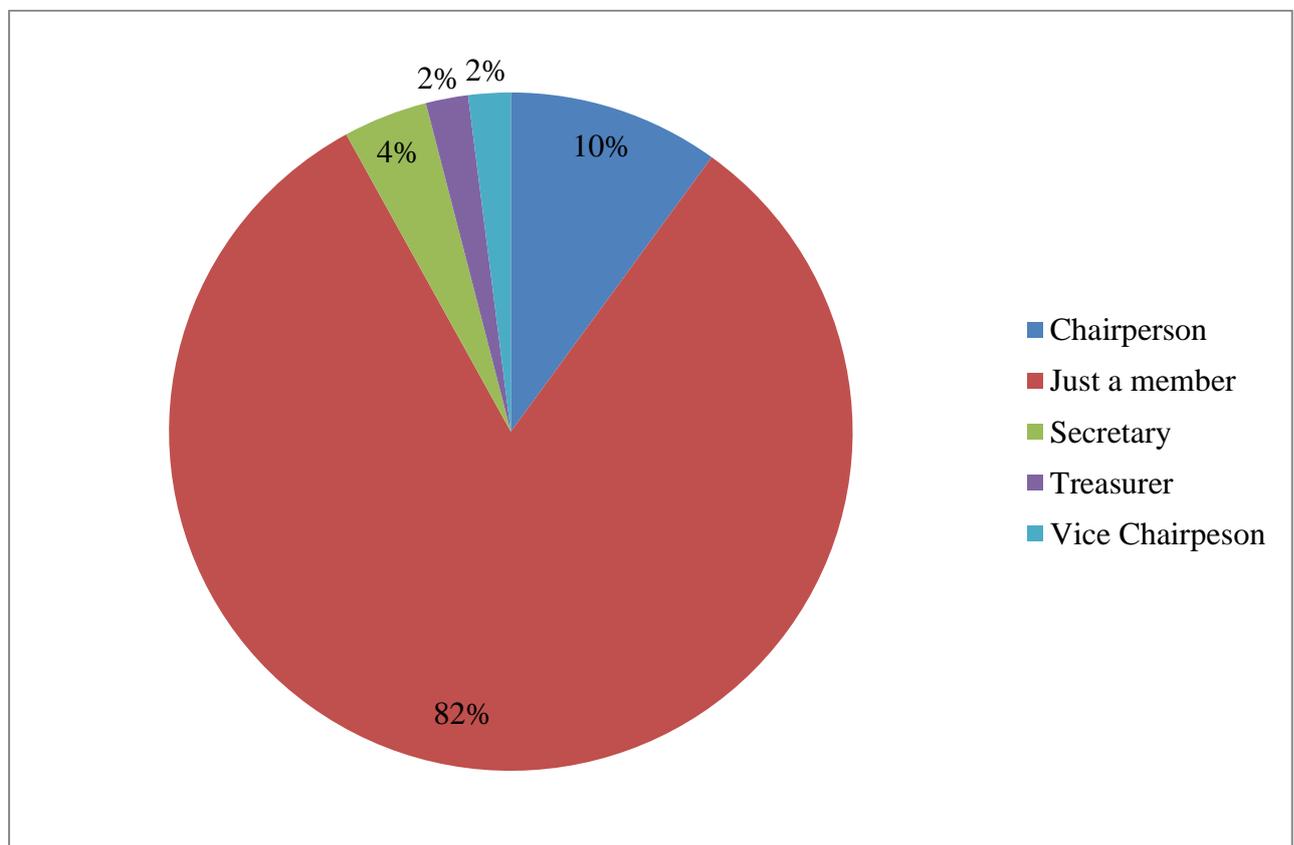


Figure 4.2.3: Committee Structure

Figure 4.2.3 above shows that 82% of the members were just members, 10% were chairpersons, 4% secretaries, 2% treasuries and 2% vice chairpersons. This shows that all basic members of the standard committee were represented in the target population. This

therefore indicates that one of the basic components of a rural microfinance model is the committee.

The Grameen rural bank model works through a model which will support the group and a group chair person whose responsibility is to conduct the activities of the group is chosen by the group. This is then in line with the argument above that for the model to be effective there is need to have a clear leadership structure in order to assign responsibilities.

Registration of Groups

96% of the responding members argued that their groups are not registered and 4% said their groups were registered. Generally this implies most of the Fushai groups are not registered. Macheke and Malaba, (2010) reiterated that microfinance institutions first go through a registration process. However Fushai groups are registered.

Payment of Subscriptions

98% of the members indicated that they pay subscriptions and only 2% said they don't pay subscriptions. This also shows that subscriptions are vital in the support of microfinance projects because they are used to build up a bank.

In Mbeu Savings and Credit Associations in Kenya members raise capital through contributions and build their own structure in which they will operate from (Macheke and Malaba, (2010). The donor will assist with the provision of furniture, insurance, audit fee and capacity building. This again supports the practice within the local groups in Zimbabwe where members pay a subscription of \$15, \$10 and \$5 per month. However in Fushai there is no donor support.

Also the SHGs can also be inform of Rotating Savings and Credit Associations (ROSCA) in which group member agree on an amount of money given to a member on daily, weekly or

monthly basis until all member have had a chance. Fushai members agree on monthly subscriptions.

Constitution Availability

The analysis shows that all of members indicated that they have constitutions within their groups. This implies that operations are properly guided. According to Seep Network (2006) rural microfinance teaches them the basics of business management and marketing so that they can understand their bank statements and also be able to sign their own bank books. Fushai memebtrs have mastered the basics of microfinance business.

Self-Sustaining

The researcher seeks to establish if the group can sustain itself without the outside assistance. 96% of the members argued that the group can sustain itself. This shows that for rural microfinance to work very well there is need to consider training and equipping the groups adequate enough for them to be able to run them on their own like what CARE International did to Fushai members. According to Seep Network (2006) PACT which is a micro finance institution in Nepal concentrates on savings and literacy as the most important way to empower women and help them build sustainable, self-managed savings group.

Problems faced by the group

Members were asked to comment if they sometimes face challenges within their group and the analysis showed that 100% of the members pointed out that they sometimes face problems in their group. This is a clear indication that there are problems within the groups of Fushai.

Nature of Fushai Problems

Members revealed that groups face different types of problems ranging from funding to skills availability. Of the most prominent problems were lack of entrepreneurship skills and lack of markets. The group is also hit hard by the lack of funding and defaulting borrowers.

The finding on the lack of funding is supported by Klinkhamer, (2009) who pointed out that there is lack of wholesale funding to rural micro finance institutions in Zimbabwe. Agro-processing firms and other financial institutions operating in rural areas are in dire need of medium or long term financing, which can then be wholesaled to smallholders.

Moreover, typical micro finance products offered in Zimbabwe are not always well adapted to local needs, for instance, the frequency of repayments is often not in line with business cycles and seasonality (Klinkhamer, 2009). Since agriculture is the main source livelihood in the rural areas loans that require monthly repayment become unsuitable. Sometimes borrowers fail to repay because they don't have access to income in agricultural off season.

Source of Assistance

The analysis revealed that 100% of the members indicated that during the time of problems they do not have any one to assist them to solve them. The unavailability of assistance can be a source of challenges in managing the groups. There is no assistance from the government which contradicts with the microfinance policy's aim to be pro poor people and improve micro finance outreach.

Type of Organisation and Involvement in Microfinance

Table 4.1.4: Type of Organisations

			Total		
			No	Yes	
Type of Organisation	Bank	Count	5	0	5
		% within Type of Organisation	100.0%	0%	100.0%
	MFI	Count	4	1	5
		% within Type of Organisation	80.0%	20.0%	100.0%
	NGO	Count	1	4	5
		% within Type of Organisation	20.0%	80.0%	100.0%
Total		Count	10	4	15
		% within Type of Organisation	66.7%	33.3%	100.0%

The analysis shows that all of the participating banks indicated that they are not into rural microfinance business, 80% of the NGOs said they are involved in rural microfinance and 80% of the banks are not involved in rural microfinance.

The researcher followed up the analysis above in order to find the reasons why some of the organisations above are not involved in rural microfinance.

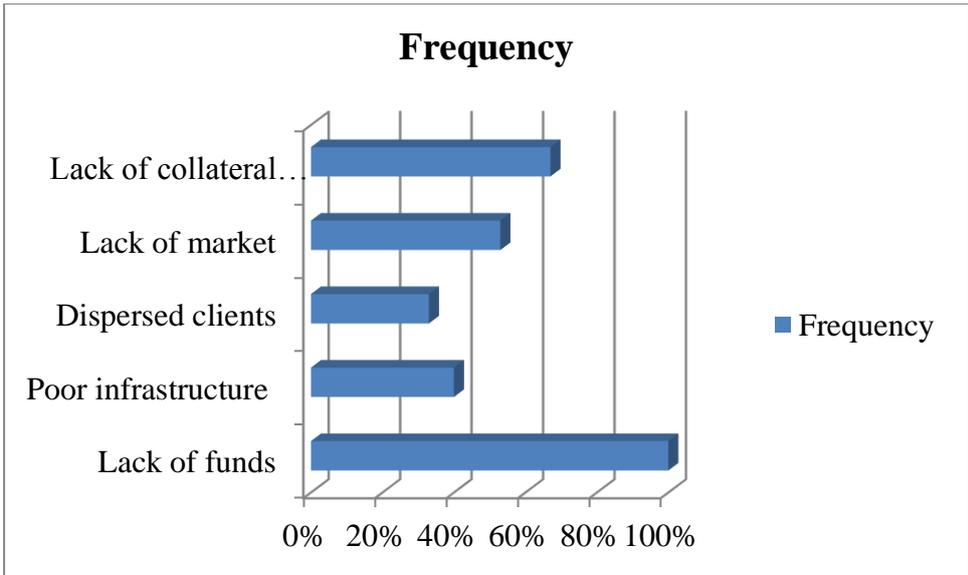


Figure 4.2.4: Nature of organisational challenges

The analysis in table 4.2.4 above shows that 100% pointed out that they are not in rural microfinance due to lack of funds, 40% said due to poor infrastructure, 33% said clients are dispersed, 53% said it is due to lack of market and 67% said it is due to lack of collateral security.

Willingness of staff to work in rural area

The analysis showed that about 67% of the respondents are not prepared to work in rural areas and 33% are prepared to work in those rural areas. This confirms the argument by Mago, (2013) that rural areas are seriously underserved by traditional providers of financial services. In Zimbabwe poor people in the rural areas do not have land title deeds to use in the formal banks hence relying on micro finance. The formal banks shun rural areas due to their remoteness and they consider the poor as risk borrowers. There is also the cost of relocating to the rural areas which makes the rural areas an unattractive market. Interest rates charged by these formal banks are too high for poor people. As a result government or donor subsidised micro finance projects are critical in rural areas. Micro finance institutions often consider lending to the very poor as a risky sector. Very poor are often dependent on subsistence

farming as their main source of livelihood (Seep Network, 2006). Subsistence farming fails to give rural farmers enough income which they can use to repay loans.

Findings from Key Informants

There are various micro finance groups in ward 20 which are run by women. The role played by women micro finance groups is that of offering small loans to villagers for starting income generating projects buy food and pay school fees. Some women used the money borrowed from Fushai to start a cross boarder trading business. The micro finance groups has improved the living standards of many households as they can now afford buying food, farm implements, kitchen utensils, blankets, building materials and livestock such as goats and cattle. The farm implements bought from Fushai include ploughs and certified hybrid seeds. This has increased farm productivity

The challenges that the women are facing in their micro finance businesses are that some member visit their husbands in the off farming seasons and this affect their activities when they are hired to do farm work. There is also lack of enough funds for borrowing and lack of market for beer especially this year when everyone has harvested well. This means that people are will bring grain for butter trading with beer instead of bringing money which can be used to top up group funds. Some borrowers take a long time to repay loans and sometimes groups are forced to attach valuable property to recover their money. When the idea of micro finance started many women faced discouragements from mother in laws and husbands because they would spend more time working in other people's fields to increase their group funds.

One group was dismantled due to patriarchal misunderstandings. The group consisted of two daughters in laws and two mother in laws. The mother in-laws did not attend paid farm work sessions with the intention that their daughter in laws should do the work for them. The other

group member felt that they being disadvantaged and decided to stop the group and share all the proceeds equally.

Women's groups are more sustainable than men's groups because men do not have time for brewing and working in other people's fields. Women manage their funds well and use the proceeds for household use leading to better living standards. Men did not take the women micro finance seriously because when they started they were meant to buy kitchen utensils but some groups have developed to the extent of buying livestock, agricultural implements and inputs, building material, household property, sending children to school and buying food. Men are also reluctant to be involved in Fushai because they lack the skills of beer brewing.

All key informants suggested that the government should offer loans to rural micro finance groups to increase funds available for borrowing. However they are do not have an idea about how the government can offer loans to their groups. CARE international trained rural women in Chirorwe about running micro finance groups. To show their commitment some women walked long distances for three days to attend training sessions. Some women who did not attend the training session later copied the idea of micro finance successful.

All the women interviewed expressed ignorance about the Zimbabwean microfinance policy and its contents. They are not aware of how the policy can assist their micro finance businesses.

Discussion of findings

CARE International used the sustainability approach to eradication of poverty instead of the poverty lending approach. Women were trained to raise their own funds for borrowing using the means available to them in the rural areas such as beer brewing and paid farm work. This has made the Fushai groups sustainable even after training. This becomes a better approach to the reduction of poverty because it does not create the dependency syndrome created by many donors. Projects which are funded by donor struggle to sustain themselves when the donor has left and some even fail. CARE International equipped the women with the skills to run micro finance groups which they can share with those who would want to start their own groups.

CARE International used the Grameen Bank model of bringing women to form a group to start an income generating project so they can encourage and support each other. However unlike the Grameen model whereby women get loans as a group and members give each other pressure to repay the loan women in Fushai members work as a group when brewing beer and when working in the fields for a fee. They then pay agreed monthly subscriptions to boost their funds which are available for borrowing. This means that all the money in the treasury belongs to the group they do not owe money to any bank. Fushai encourages women to work hard because if they do not work hard their group will not grow. Groups which fail to expand their funds will not be able to purchase valuable item which can transform their lives. Fushai just like the Grameen bank model is owned by poor women and its aim is to bring financial services to the poor in the rural areas.

In the Grameen bank model member contribute money towards the group funds each time they meet weekly. Fushai members also contribute from \$5 to \$15 each time they meet once a month. This money is meant to expand funds available for borrowing. Successful groups no

longer contribute anything because they have built a large borrowing fund through subscriptions, beer brewing and paid farm work.

Training has proved to be an integral part of development projects because it equips rural people with skills. After providing the loan the Grameen bank offers a training programme (Shukrann and Rahman, 2011). Unlike the Grameen bank CARE International offered training to women before they started their micro finance projects so that they know how to run their institutions. They were also taught about rules governing the institutions such as expulsion of members who are involved in acts of misconduct and attaching property of those who default payment.

In the Grameen bank officers are located in the rural areas to assist women in running their income generating project and managing the borrowed money. Women facing management problems can refer to the officers. Fushai members do not have anyone to refer to for advice when they are facing challenges. They have to figure out solutions to their own problems. CARE International officers only came for training in Chirorwe but they did not make follow up mechanism to evaluate how women had grasped the idea of micro finance institution and the achievements they would have made.

Both Grameen Bank and Fushai charge some interests to sustain the projects. According to Auwal and Islam, (1994) the interest of Grameen bank is 16% per annum. All Fushai groups interviewed charge an interest rate of 2% per month. The interest also accumulates at 2% every month for defaulters.

In Fushai women organise themselves according to standards of living because women with better living standards would not want to brew beer or work in other people's fields. This is evidenced by one woman who dropped out of the group because her children were now working and sending remittances home. Similarly the Grameen bank organises borrowers

into small homogeneous groups comprising of five prospective borrowers (Auwal and Islam, 1994).

Findings from the research confirmed what Rahman, (1999) said about patriarchy when he stated that most rural women are vulnerable to patriarchal ideology, related prevailing social norms and intra household gender relations. Groups involving mother in laws and daughter in law as failed to thrive and stopped functioning. Some husbands also discouraged some women from joining the micro finance groups because they would spend some time doing paid farm work and brewing beer. This shows that women are still being disadvantaged by patriarchal ideologies.

Fushai is properly designed to suit the lives of people in the rural areas. It utilises the skills that they already have that is brewing beer and doing paid farm work instead of introducing something which rural people might not be familiar with. Fushai is convenient to borrowers as they do not have to travel long distances to acquire the small loans which they use to pay school fees and buy food for the family. Unlike traditional banks which require collateral security and identification particularise to offer a loan Fushai even gives small loans to clients without asking for collateral as long the client lives within the village. They will only look for something to attach when a borrower fails to pay. For one to access the loan he or she has to be known with a member of Fushai.

The rural micro finance groups have helped empower rural communities. One of the goals of the indigenisation and empowerment policy is to empower the rural communities to heave themselves out of poverty and underdevelopment (Matunhu in Mago, 2013). Fushai members have been empowered through rural micro finance because they now have an income generating project of their own and some members and villagers use the borrowed money to start their own projects.

Fushai has managed to improve the living standards of many households especially those with family members involved in micro finance. Many women have managed to build better houses using bricks and asbestos which they did not have. They have also bought cattle, goats, household property such as sofas, kitchen units and beds, kitchen utensils and blankets. In 2012 when Bikita had a drought Fushai enabled women to buy food for the family. Fushai offers income even to uneducated women because they have the skills to run their own groups therefore it becomes a source of employment for woman who would get formal employment due to low education.

Fushai is supporting agriculture in rural areas and this enhances food security in areas that is prone to drought. Member have bought farm implement and inputs which improve their productivity. Fushai enhances the modernisation of farming practices by offering the finance necessary for green revolution. Villagers can also borrow money to buy certified seeds and fertilisers. Mechanisation of agriculture is also enhanced when members buy plough which they would not have afforded without being involved in microfinance.

Through Fushai women now have access to income and loans which they would not have access to in traditional banks. This supports the argument of Muzari et al, (2013) that formal credit seldom went to women, the micro loan on the other hand served woman. In rural areas women do not own title deeds which they can use to acquire loans in formal bank. Fushai gives them the opportunity to acquire small loans without collateral security.

Rural people in Bikita both borrower and Fushai members use small loans to pay school fees for their children. Without Fushai many children would have dropped out of school in Bikita because school fees increase every year beyond the affordability of many parents and guardians. Fushai is therefore important in achieving the Millennium Development Goal of

attaining universal primary education by 2015. When a household member is in Fushai children will have equal access of attaining education including girls.

Micro finance groups in South Africa and Bangladesh have used micro finance groups to mainstream health issues such as HIV and AIDS and Family Planning. However issues of health and family planning have not been mainstreamed in Fushai for the benefit of members. Beer gatherings and women's meetings for Fushai can be used to mainstream such issues so that the society is fully equipped with knowledge concerning such important issues. Mainstreaming HIV and AIDS would save many lives through prevention and treatment facilities.

Fushai has improved the quality of food ate at households. Proceeds from Fushai are used to buy food for the family. Women now afford to buy nutritious food for their children which they could not afford before joining Fushai. They can also slaughter goats bought through Fushai for family consumption. Milk is now available for member who bought cattle. However health officers should also utilise Fushai meeting to disseminate information on childcare to prevent the death of children through the six killer diseases.

Micro finance has helped rural household not rely on farming which determined by climate. Climate is constantly changing and this has led to some farmers failing to secure enough food that can sustain them throughout the year. Fushai gives them a source of income during off farm season so that they do not go down the poverty ladder. Therefore Fushai gives them a permanent source of income throughout the year.

In Zimbabwe there is high rural to urban migration amongst the youth due to lack of formal employment opportunities in the rural areas. Fushai is a woman project and excludes the youth. This leaves the youth vulnerable to poverty and unemployment. It also leads to high rates of rural to urban migration. When they get to urban areas the youth remain unemployed

because many industries have closed. Some of the youth are not qualified to get formal employment locking them in the vicious cycle of poverty.

Fushai is crucial in making sure that the poor who are excluded in many economic activities are involved in economic activities especially women. It gives women the right to decide on issues to do with their lives as they decide what to buy from their proceeds. It also makes them realise other basic rights such as food, shelter through building houses and education through sending children to school.

Some women in Fushai who are above sixty five years never attended school. In Nepal women in micro finance groups are taught the basic management skills and writing. However CARE International has not made any efforts to equip these women with basic education yet this important for them to understand basic accounting. Fushai women have their books written in Shona so that all members understand how the money is borrowed and spent. Despite the accounts books being written in Shona some members can't read and write.

Nine out of ten borrowers interviewed revealed that they have managed to repay their loan. Only one client had his property attached due to non payment. This is in contrast to government loan where clients are reluctant to repay. Mago, (2013) stated that customers in Latin America in the 1950s and 1970s viewed loans from the government agencies as gifts and this impacted negatively on the repayment. In Fushai borrowers have high chances of repayment because they would not want to lose their hard earned property. They would also want to maintain good relations with Fushai members so that they can be able to borrow again in future since this is the only credit facility available in the village. It is also convenient to borrowers.

All the borrowers revealed that Fushai is an important institution in the rural areas and members are friendly to borrowers. They also showed a positive attitude towards Fushai and

they would want to join. However most of the borrowers revealed the 20% interest rate is too high and sometimes there are no enough funds for borrowing.

Bank employees do not visit rural areas have not been willing to assist rural women with entrepreneurial and financial skills. There are non banks which have relocated to Bikita rural areas except Agri bank and POSB which are located at Nyika growth point. Unlike in Kenya where there are mobile banks visiting rural areas at different intervals there are no mobile banks in Bikita. This shows that financial inclusion of the poor is still a problem in rural areas. This confirms the argument by Ravikuma, (2012) that in reality, bank personnel do not consider financial inclusion initiatives as a responsibility, but, as a nuisance.

Fushai has helped women to plan for the future through purchasing of livestock like cattle which they can sell in time of unforeseen circumstances such as death of a family member and the building of houses using brick and asbestos which can withstand heavy rainfall. Few members and borrower have managed to start income generating projects to cushion them when micro finance project fail to thrive in future. This confirms the evaluation on Kupfuma Ishungu which revealed that groups consistent and practical visions for the future of their activities, both at the group and enterprise levels (Allen et al, 2002). Rural people have become proactive rather than being reactive to problems.

In Kupfuma Ishungu project increasing group pressure led most respondents to be more business oriented and look out for opportunities to be more business oriented and to look out opportunities and competitive advantage through niche products or services (Allen et al, 2000). Likewise members of Fushai have decided to offer labour services through paid farm work to increase their funds for borrowing after realising that subscriptions and beer brewing could not raise enough funds for borrowing. Members also go for paid farm work at household level so that they will be able to pay monthly subscriptions. If members fail to pay

monthly subscriptions they will they will be expelled and this members pressure to pay the subscriptions.

Fushai does not exclude very poor people. This contradicts with Seep Network, (2006) argument that even when very poor people are not actively excluded by the community, they often opt out of community related projects because they are intimidated believing that the services offered by such projects is not suited to their needs. Many poor people have joined Fushai and groups are formed from people with equal standards of living. Fushai is more suited for poor people because the group agrees on amount of money to be paid every month.

Lending to very poor people have proved to be very risk in Fushai and sometimes a borrower takes a long time to repay the small loan leading to accumulation of interest every month. According to Seep Network, (2006) very poor are often depended on subsistence farming as their main source of livelihood. As a result they struggle to repay Fushai loans resulting in them losing their livestock.

The vision and mission statement of the Zimbabwean micro finance policy is to become a viable, ethical and sustainable pro-poor micro finance industry with effective outreach and impact, which is integrated into the mainstream financial sector, and has the support of all stakeholders. Micro finance industry has not been viable in rural areas. Most micro finance institutions have a urban bias because clients in the urban areas have collateral security and some use their pay slips to guarantee their payment.

Poor people are being shunned by traditional banks. Therefore there has not been adequate outreach and impact by micro finance institutions in rural areas. There has not been integration of rural micro finance projects like Fushai into the mainstream financial sector like commercial banks and building societies. Stakeholders like the government have not offered any assistance to rural micro finance like Fushai. The government has not improved

the infrastructure in rural areas. The roads in Bikita are dilapidated for mobile banking to take place. The government has not offered any incentives such as reduced tax to financial institutions willing to relocate to rural areas or offering subsidies to such institutions.

The policy recognises micro finance as a service that can be provided by NGOs, government, savings and credit co-operative societies, micro finance banks, building societies and commercial banks. In Bikita ward 20 micro finance training has been carried by CARE International without the assistance of the government, building societies and commercial banks. This shows that rural areas are still being excluded by these institutions although the policy has given them the platform to offer these services. As a result rural women have resorted to Self Help Groups.

The aim of the policy is to promote participation of the government in the micro finance industry by encouraging local authorities to devote at least five percent of their annual budgets to micro-credit initiatives administered through Micro Finance Banks (MFBs). The Bikita Rural District council has not made any efforts to participate in rural micro finance and it has not devoted the five percent of their annual budgets to micro-credit initiatives in the ward 20.

According to Klinkamer, (2009) Baclays is one such bank that has wholesaled funds in the past and is still interested wholesale lending. The micro finance policy gives provision for commercial banks to offer wholesale lending to micro finance institutions but rural micro finance projects like Fushai have not received any wholesale facilities from banks. Wholesale lending to Fushai would increase their funds for borrowing. In this case they will be able to buy more valuable items at household level leading to better living standards. The reserve bank can also engage rural micro finance institutions in wholesale lending.

According to the Zimbabwean micro finance policy an existing micro finance institution can fully transform into Finance Bank, subject to meeting the minimum regulatory requirements as shall be determined by the Registrar of Micro finance Banks (Registrar) in Zimbabwe. Fushai has the potential to transform into a rural finance bank but the members are not aware the minimum regulatory requirements that are determined by the Registrar. This shows that information dissemination is still a challenge in rural areas. The registrar should set simple regulatory requirements for rural micro finance institutions so that they can grow to become viable micro finance banks. If Fushai becomes a micro finance bank more people will benefit from it hence transforming rural areas.

There is an imbalance between rural and urban areas when it comes to micro finance services. To address the imbalance, the policy framework shall promote an even spread of micro finance banks, their branches and activities (Zimbabwe Microfinance policy, 2008). Although the government has made efforts to decentralise Agri bank and POSB to growth points the banks have not penetrated remote areas like ward 20 to offer micro finance services. Micro finance institutions such as Fushai should be benefiting from such banks through accessing loan facilities as a group and using the group as collateral security. According to Klinkhamer, (2009) CBZ offers group lending as well as individual lending products. Although this is an opportunity for Fushai groups to access loans for borrowing from CBZ the bank has not made any efforts to offer its services to remote areas.

Collaborations between NGOs and banks go a long way in promoting rural micro finance. According Klinkhamer, (2009) Backlays was a participant in the World Bank funded government operated medium scale enterprise scheme and also enjoyed a guarantee from SWEDECORP that covered 40% of loan defaults and a matching us dollar credit line from Hivos that acted as guarantee. CARE international has not linked Fushai to banks and NGOs which offer guarantees. This collaboration will give the beneficiaries an opportunity to access

capital to start new income generating projects or boost their micro finance projects. This will result to more banks to be involved in rural micro finance since most banks shun rural areas as high risky areas in terms of non repayment.

In South India when self help groups have become familiar with principles of financial management, they are linked up by a micro finance organisation to external sources, such as government bank and programmes for the poor (Kabeer, 2008). Fushai members have the basic ideas of financial management but there have not been linked to any financial organisation or to a government bank of programmes for the poor such as the ZIM ASSET which is meant to lift the standards of poor people in the rural areas. In India self help groups have been linked to National Bank for Agriculture and Rural Development (NABARD) (Kabber, 2008). In contrast Fushai is not linked to Agri Bank or POSB.

Although Fushai is a promising to be a viable project for the rural poor it has not been supported by political and administrative leaders. In contrast In Kupfuma Ishungu support from local administrative officials and elected leaders is strong (Allen et al, 2002). Political and administrative support is critical in that these structures can be used to link rural micro finance institutions to government banks and government funded projects.

Sinha and Rasmussen (2006) in Kabeer (2008) state that in India self help groups are now formed not only by a variety Of NGOs but also by government development agencies and even bank branch staff. In Bikita CARE International is the only organisation that has introduced micro finance to rural women as a self help project. The government has not made any initiative to assist rural people on issues to with micro finance. There haven't been any visits by bank staff to assist villagers on information about rural micro finance.

A variety of practices is used to that borrowers repay their loans in the absence of collateral requirements such as constant supervision by extension staff to borrowers' home, rebates of

interests of loans paid in time, financial incentives to staff whose clients manage to pay their loans in time, possibility of repeated access to loans of increased size for those who repay and compulsory saving in a group fund, which act as insurance or collateral for the loans of all groups (Kabeer, 2008). However Fushai does not use any of the above strategies to enforce repayments of loans from borrowers, instead Fushai attaches property or livestock of defaulters and sell them to recover their money. The value of the attached property will include interests accrued.

The policy aims at creating and maintaining macro-economic environment, provision of infrastructure and creation of conducive legislative and regulatory framework that encourages sustainable and efficient growth of the microfinance sector and eliminates barriers of entry into the financial market through various ministries (Zimbabwe Microfinance Policy, 2008). The government has made efforts to maintain a stable macroeconomic environment by using the US currency instead of the Zimbabwean dollar which was prone to inflation. High inflation rates affected the micro finance industry as it led to closure of many micro finance institutions as borrowers failed to repay loans. However the government has not built structures in rural areas which micro finance institutions can use at lower rental and reduce the costs of locating in rural areas. The legislative framework is still exclusionary to rural people as the Reserve Bank requires an institution to have \$20 000 capital for an institution to be registered which Fushai members cannot afford to raise. The various ministries required to perform all these tasks are not available in ward 20.

The obtaining of licences for micro finance is still a challenge in Zimbabwe. This has led to some micro finance institutions operating unregistered. Fushai has not registered its operations. According to Klinkhamer, (2009) micro finance licences are renewed every year. Since Fushai is being operated by poor women they find it difficult to be travelling to the urban areas on yearly basis for renewal of the licence. They are not aware of the implications

of operating an unregistered micro finance institution. Since the documents used for registration are written in English members need clarification of the documents in Shona. Yearly renewal of licences of operating licences can also shun NGOs which offer micro finance services to rural areas.

The taxation charged by the government is too high for rural micro finance institutions. Taxation is high in Zimbabwe for example income tax for companies is 35% of the profits (Klinkhamer, 2009). For Fushai 35% is too high considering that the funds are from brewing beer, paid farm labour and offering small loans at 2% interest rate per month. The taxation will discourage many women from engaging in micro finance projects.

The Fushai project falls under the self help group. In this model members save and make contributions towards a fund. According to Seep Network, (2009) the savings led approach is more important for very poor clients than credit facilities. Fushai members are not employed and use the micro finance project as their main source of income. Members use the skills of beer brewing and farm work which they already have to raise funds without the assistance of outsiders. Fushai also have some characteristics of merry go round model.

In India SHGs are made up of fifteen to twenty women from nearly homogeneous socio-economic backgrounds who may meet weekly or monthly (Kabeer, 2008). In contrast in Bikita SHGs are made up of five to 15 women. The similarity is that both in India and in Bikita groups are formed by women of a homogenous socio-economic status and meet on a monthly basis. Women agree to a specified amount per month and contribute it to a common pool (Kabeer, 2008). Similarly in Bikita ward twenty agree on a monthly subscription ranging from \$5 to \$15 which is put in a common pool for borrowers. The subscriptions are increased according to demand by borrowers.

In India once the contributions add up to a reasonable amount, self help groups members start lending to each other on the basis of mutually agreed ground rules (Kabeer, 2008). However in Fushai when contributions and profits through interests paid by borrowers have reached a certain amount members agree on items to be bought and even share money which is used for household purposes. The Self Help Group is based on mutual understanding because if members fail to understand each other the group fail to progress like in one Fushai group where mother in laws and daughter in laws had disagreements which led to the group stopping its operations.

Fushai does not suit into the community owned finance model because it is not owned and managed by the whole community but by individuals who decide to form a group. Community owned rural finance model is a rural finance model that is owned and managed by the rural community with assistance from donor agency (Macheka and Malaba, 2010). CARE International is not involved in the management of Fushai it only trained women to start the project and run it on their own. However if Fushai can get donor assistance in its management it would benefit more.

Rural women are sometimes afraid to start new projects which may be time consuming. This confirms the argument by Seep Network, (2006) that even when there is no loan to be repaid, many poor people especially women are often initially afraid of new responsibilities and new activities that are expected of them. When Fushai was launched very few women took the initiative and later more women copied after realising that the micro finance groups were successful as many women had bought household property.

In some developing countries micro finance institutions have included health insurance to cover members in times of sickness. Kabeer (2008) states that while micro finance services to the poor have hitherto focused on credit and savings, there is now growing interest in

extending services provision to include variants of community based insurance. In community health insurance the programme is managed and operated by the community based institution and offers risk pooling to cover all part of costs of health –care service. In Bangladesh BRAC diversified in 2001 from life insurance to a non-for profit full-service health insurance in which it provides the insurance as well (Kabeer, 2008). The insurance service is free for anyone to join however BRAC members pay a discounted premium. Fushai does not have any insurance to cover them on health yet the health of member is critical as they are involved in labour intensive work like beer brewing and paid farm labour. When a household member falls sick savings are affected and it can lead to them going back to absolute poverty and even losing the assets that they would have accumulated through the micro finance project.

In Bikita not all women are involved in micro finance projects even though some of them might be poor. According to Kabeer, (2008) the exclusion of the very poor from micro finance services reflect a variety of factors for example not everyone can be an entrepreneur and the very poor are less likely than other sections of the poor to possess the asset base, the willingness to take risks and expense necessary to engage in entrepreneurial activity. Sometimes the very poor are hesitant to take loans to start income generating projects because they are afraid that if the businesses fail they will not be able to repay the loan.

In South Africa under Tshomisano Credit Programme members of micro finance institution are encouraged to share experiences to deal jointly with problems and to support members who were having problems (Kabeer, 2008). Similarly in Fushai since there is no CARE staff members located in Bikita on full time basis members consult other groups for solutions when faced with challenges.

In BRAC clients used loans to purchase assets that could be drawn down in times of need, including productive assets that also helped to enhance income generation (Kabeer, 2008). In Fushai members purchased goats and cattle which they can dispose in difficult times for example Bikita is an area prone to drought and people often sell cattle to buy grain in drought. Grain traders come to Bikita and offer grain in exchange for cattle. Goats can be sold to pay school fees.

However there has not been a micro finance programme meant for the youth in ward twenty. In contrast in India the Centre for Youth and Social Development (CYSD) is an example of an NGO that have from the outset designed their self help groups approach very explicitly to reach some of the poorest sections of the population in poorest states of Indian (Kabeer, 2008). The youth in the rural areas need such self help groups so that they can have a better future. Girls also need this programme so that they can be economically empowered.

Allen et al, (2000) evaluated Kupfuma Ishungu rural micro finance project and concluded that groups were extremely cohesive and highly motivated, with 90% + female membership, written constitutions and well trained officers, they operate confidently and in style that appears to be highly cooperative. Similarly Fushai members are highly motivated and cohesive because paid farm labour needs a motivated team that is able to finish the allocated work in a short space of time and be able to start a new piece work. This will enable them to build up a huge fund for borrowing hence more profits. In both Fushai and Kupfuma Ishungu groups have written constitutions.

In Fushai members share interest and sometimes agree on items to be bought. In Kupfuma Ishungu according to Allen et al, (2002) all interest goes to members, while savings returns in banks. The same strategy is used by Fushai.

In Kupfuma Ishungu the most common income generating activities include gardening, handcraft, knitting, sewing, petty trade, trade in second hand clothes, beer brewing and hairdressing (Allen et al 2002). However women in Fushai only do paid farm work and beer brewing. These activities are limited hence limiting members to Fushai income alone. This exposes them to poverty when the Fushai project fails to thrive. There is therefore need for women to be trained and explore in other income generating projects. Diversification of activities also increases income at household level and even leads to better living standards. Beer brewing is a common income generating project in both Fushai and Kupfuma Ishungu.

Not all women in Bikita ward 20 are involved in Fushai. One of the women interviewed dropped out of Fushai because her children got better jobs were sending remittances home. The children no longer wanted to be involved in paid farm work and beer brewing because it was laborious and time consuming. Similarly in Kupfuma Ishungu women who were not in Kupfuma Ishungu appear to have little interest either because they are too poor to raise the minimum savings contributions or because their income and economic opportunities are at an already large scale (Allen et al, 2002). Some women did not join because their living standards were better when Fushai started. It would not be logical for them to be seen doing paid farm work at other households with even lower standards of living than theirs.

All the interviewed groups charge 20% percent interest. Similarly in Kupfuma Ishungu most groups charge 20% interest, with a few groups charging 30 and 40 % on loans (Allen et al, 2000). However charging a higher interest rate in rural areas where there are many micro finance groups will not attract many borrowers hence less profit. Allen et al, (2002) argues that most groups that started off charging high interest have experienced high rates of capital growth, but are now finding borrowers reluctant to continue at these rates as average loan sizes increases and loan terms need to be extended. In this case it is better to charge 20% interest and be able to get more borrowers and remain in business.

In Fushai all the households interviewed revealed that their living standards had improved at household level. They revealed that their income had increased at household level and there were now able to buy enough food for their families including buying kitchen utensils, household property, farm inputs and farm implements and building better houses. Similarly in Kupfuma Ishungu all groups interviewed indicated increased levels of household livelihood security and increasing purchasing power through their membership (Allen et al, 2002). Kupfuma Ishungu members also bought food, kitchen utensils, farm inputs and household furniture. However Kupfuma Ishungu members have gone a step further to use income from the projects to start income generating projects. Fushai members have not used the income to start income generating projects.

In Fushai women showed that they are now able to make decisions at group level concerning on what items they would want to be bought. They expressed confidence on their business. However it was not clear if women had the same decision making ability at household level. Allen et al, (2002) also states that in Kupfuma Ishungu there was plenty of evidence that women were in control of the decision-making process at the level of the groups, but were unable to delve much further and uncover evidence of greater participation in other institutional and social settings. However even if women would not have much decision making power at other levels economic empowerment is critical in that it benefits the whole household because women tend to spend most of their income in household issues.

Fushai has proved to be a source of income to vulnerable members of the society such widows and the old. Similarly in India strong evidence to suggest that access to micro finance helped to build up the resilience of households in the event of crisis, including among some of its most vulnerable client women headed households (Kabeer, 2008). Female headed household sometimes are vulnerable to poverty in the rural areas especially after the death of male breadwinners. Fushai gives them a source of income. Widows can now afford to send

their children to school who would have been out of school after the death of a breadwinner. In this case Fushai has the potential to sustain surviving members of the family.

Duration of self help membership contributed to household food security and a greater diversity and to a greater to household food security and diversity of diet (Kabeer, 2005). Fushai has enabled member to diversify their diet as some members can now afford to join beef committee groups in which they pay \$36 in every three months and get a full bucket of beef per household. In rural areas some households cannot afford buying meat every day but through beef committees their meals have been enriched.

Fushai has led to improved agricultural practices. Kabeer, (2002) states that rural micro finance is associated with improved agricultural practices, less reliance on casual wage labour or migration, greater reliance on non-traditional forest produce and small business and investment in small assets. Fushai members have bought ploughs, couch carts and certified seeds. Some members are now using fertilisers to increase their productivity where they used to apply cattle manure.

Fushai groups which started in 2013 have not bought more valuable items because their profits are still small. Gamba (2004) in Kabeer, (2008) states that a study of Lift Above Poverty Organisation (LAPO) in Nigeria, which largely lent to women found that clients on their fourth loans were more likely to report increased incomes than clients who had just joined recently. Older Fushai groups who started in 2012 when the project was launched have managed to build better houses and buy cattle while recent groups are still buying kitchen utensils, household property and blankets. Group members need to be patient because it takes time for the projects to yield better results.

The researcher also interviewed members who had left Fushai after a misunderstanding in the group and they revealed that when they were in Fushai their lives were transformed and are

willing to join other groups. This shows that they appreciated the assets and the income they accumulated during the project. Similarly Johnson, (2005) in his study of FINCA in Malawi compared those who had left the micro finance programme with those who had remained. Johnson realised those who had left gave their inability to keep up with weekly repayment obligations as the main reason, while others cited sickness in the family. In contrast the women who left Fushai did not give the above reasons. They were able to meet their monthly subscriptions and attend all beer brewing and paid farm work sessions but the groups were affected by internal patriarchal relationships. This reveals that for groups to survive it should avoid related members especially daughter in laws and mother in laws. According to Kabeer, (2008) the group practice of group liability for loans can create divisions and conflicts among women as well as building up solidarity. In this case the group practice created a conflict that has led to the group being destroyed.

In a study of child labour in rural Bangladesh Ridao-Cano, (2001) noted that loans to women were more likely to increase children's education and reduce the likelihood of children working, than loans to men. Similarly in Fushai it is women who are group members who are involved in beer brewing and paid farm work. There are no children involved in these activities therefore there are no cases of child abuse through child labour.

Micro finance also enhances gender balance in schools. Members of Fushai have managed to send both boys and girls to school unlike in the past whereby if a family did not have enough income to pay school fees it is the boy child who was given the first preference to go to school. Similarly PRADAN a micro finance programme in India not only reported significantly higher percentages of children in school but also reported a significant increase in educational participation by both boys and girls (Kabeer, 2005). Therefore micro finance enhances countries to meet millennium development goals number two and three of achieving universal primary education and promoting gender equality and empowerment by

2015. Kabeer, (1998) further argues loans to women not only resulted in a greater increase in children's education relative to loans to men but also reduced gender disparity in education.

Women in rural areas face a lot of constraints when they want to venture into new businesses. All the groups interviewed revealed they lack access to entrepreneurial skills and rely on other groups for skills. This confirms Kabeer's (2008) argument that most micro finance programmes fail to tackle the gender constraints that confine women entrepreneurs to narrower and less profitable forms of trade and business.

Chapter Summary

This chapter has focused on the analysis and discussion of the research findings. The chapter was structured as follows, demographics, the importance of rural micro finance, attitude of clients and staff towards rural micro finance, the extent to which the Zimbabwean micro finance policy is facilitating the reduction of poverty in rural areas, models of rural micro finance and how they are run and challenges encountered by micro finance institutions, clients and staff in providing and accessing rural micro finance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The research looked at the importance of rural micro finance, the attitude of clients and staff towards rural micro finance, the extent to which the microfinance policy has facilitated the reduction of poverty in rural areas, the various models of rural micro finance and the challenges faced by clients, staff and institutions in providing and accessing rural micro finance.

Questionnaire interviews, observations and indepth interviews were carried out in ward twenty. Staff members from NGOs, banks and micro finance institutions were intervied to fulfill the objectives of the research. Indepth interviews were carried out with chairperson of Fushai groups.

Data was then analysed using qualitative and quantitaive method. The results of the research were also dicsussed relating to other rural microfinance initiatives that have been carried out in Zimbabwe, Bangladesh, South Africa and India and the researcher noted that there are some similarities and differences in the various programmes.

5.2 Conclusion

In light of the findings in chapter 4, the study concludes that:

5.2.1 Fushai rural microfinance project plays an important role in reducing poverty in Bikita ward twenty. Fushai members reviewed that Fushai has increased their household income and they have used the income to pay school fees, buy food, build better houses, buy kitchen utensils, and buy livestock such as cattle, and goats as well as buying agricultural inputs and implements.

5.2.3 Borrowers appreciate Fushai because it is convenient to them and it has helped them pay school fees for their children as well buying food for the family in times of crisis. Borrowers were also willing to join Fushai and this shows that Fushai is a viable income generating project in ward twenty. However very few borrowers and members of Fushai have used borrowed funds to start income generating project.

NGOs members of staff were more willing to work with rural people in microfinance projects and they were motivated by travelling and hardship allowances they were given by their employers. In contrast employees from banks and microfinance institutions were not willing to work with rural areas because the market was limited, there was poor infrastructure, unwillingness to be separated with their families, high travelling costs, lack of other employment opportunities and the fact that some rural clients take time to understand bank documents.

5.2.3 To a larger extent the microfinance policy has not facilitated the reduction of poverty in rural areas like ward twenty. Members of Fushai have not received any assistance from the government. The policy aims at expanding microfinance outreach to the poor but people in ward twenty are not aware of the wholesale lending facility mentioned in the policy which banks like Kingdom and CBZ were offering hence the policy has not made a significant impact in rural areas. There is no integration of small micro finance institutions like Fushai into the main stream financial sector.

The policy states that microfinance should get the support of all stakeholders but from the results of the research banks and microfinance institutions have been not been offering microfinance services to rural areas to ward twenty.

The policy also states that it will promote participation of the government in microfinance industry by encouraging local authorities to devote five percent of their

annual budgets to micro finance initiatives. There hasn't been any assistance offered by Bikita Rural District Council to Fushai. The researcher concludes the policy has not been implemented to local authorities and at grassroot level.

The regulations by the Microfinance Registrar are not known at grassroots level as witnessed by almost all the Fushai groups not being registered. For Fushai to transform into a microfinance bank it has meet the requirements as determined by the Registrar of Microfinance.

However to a smaller extent the policy has supported rural microfinance through the maintenance of a stable economic environment with a stable currency.

5.2.4 Fushai falls under the Self Help model of micro finance because members have used their own funds to build a bank. They also engage into beer brewing and paid farm labour to top up their bank. Fushai groups do not have any professional supervision instead they come up with solutions to their problems and sometimes consult other groups for ideas.

5.2.5 Various challenges are face by microfinance institutions, clients and staff member. The researcher concluded that poor infrastructure, lack of funds, lack of entrepreneurial skills and lack of markets were the major challenges hindering the growth of rural micro finance.

5.3 Recommendations

In light of the findings and the conclusions above, the study recommends the following:

- 5.3.1 Since rural micro finance has proved to an important tool in reducing poverty the government should implement a wholesale lending facility to projects such as Fushai. This will increase funds available for borrowing. As a result there will be more proceeds available for sharing hence improved living standards.
- 5.3.2 In 2009 the Reserve Bank of Zimbabwe made some efforts to provide rural people with some banking facilities through mobile banking but this strategy was temporary (Reserve Bank 2009). This strategy can also be utilised by banks such as POSB and Agri Bank to offer micro finance to rural people so that they can start sustainable income generating projects. Bank personnel can also use motor bikes to visit projects and offer basic business management skills.
- 5.3.3 Fushai should also include youths because there are limited jobs on the market. Micro finance will create jobs for the youths as well as curbing rural to urban migration. The establishment of a sovereign wealth fund through ZIMASSET can be used as a source of funds for wholesale lending. This will improve access to credit to rural people hence empowering them. There is therefore need to maintain the multi-currency system since they are more stable.
- 5.3.4 There is also need for training in other income generating projects such as poultry, piggery and gardening so as to increase income per household. Women also need to be trained in records keeping and basic accounts.

Nutrition gardens will also help them improving their diet. The government should also assist members of rural micro finance through linking them with health and life insurance so that they can get assistance in sickness and death.

5.3.4 Fushai needs constant supervision by CARE international staff members so that they are fully equipped with the skills to perform their micro finance project .

5.3.5 The government should make registration easier for NGOs and micro finance institutions willing to offer services in rural areas. Renewal of licences should be after four years so that institutions can have enough time to implement and monitor their micro finance projects.

5.3.6 An area of further study to assess other income generating projects that members of Fushai can diversify their income generating portfolios. This helps in increasing the money available for borrowing.

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Appendix

MIDLANDS STATE UNIVERSITY

**The role played by women’s microfinance groups in reducing poverty: A case study of ward 20
Bikita District in Masvingo**

Section A : Background information of household

- 1. Sex (1 male, 2 female)
- 2. Age (1 below 18yrs, 18-65yrs, 3 above 65yrs, 4 don't know)
- 3. Educational level (1 no education, 2 primary education, 3 secondary, 4 certificate, 5 diploma, 6 degree, 7 post graduate, 8 does not know)
- 4. Employment status of the household head (1 employed, 2 not employed, 3 self employed, 4 does not know)
- 5. If employed: Nature of employment (1 part time, 2 fulltime non farming , 3 fulltime farmer)
- 6. Marital status (1 married, 2 single, 3 divorced, 4 widowed, 5 on separation)
- 7. Household size
- 8. Number of dependents.....
- 9. Does a member of the household belong to a rural microfinance (1 yes, 2 no)
- 10. If yes, name of rural microfinance.....

Section B: Nature and Management of microfinance

- 11. When did you become a member
- 12. How did you become a member?
.....
- 13. The group is open to anyone to join (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
- 14. Are the youth free to join (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
- 15. Are the elderly free to join (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)

16. How many members are in your group?
Males.....FemalesTotal.....
17. What is your position in the group (*1 just a member, 2 chairperson, 3 vice chairperson, 4 secretary, 5 Treasurer, committee member, 6 other (specify).....*)
18. Is your group registered? (*1 Yes, 2 No*)
19. Do you pay a subscription fee (*1 Yes, 2 No*) *If Yes how much*
20. How do you charge interest (*1.\$1 a month 2.\$2 a month 3.\$3 or more a month 4.other specify).....*

21. Do you have a constitution/code of code of conduct (*1 Yes, 2 No*)
22. What happens to a member who defy the constitution/code of code of conduct (*1 nothing, 2 expelled, 3 suspended 4 other specify*

23. How often do you have meeting? (*1 every month, 2 quarterly, 3 biannually, 4 when there is a need, 5 other (specify).....*)
24. Who calls for meetings (*1 any member, 2 chairperson, 3 vice chairperson, 4 secretary, 5 Treasurer, committee member, 6 other (specify).....*)
25. The meeting are too few (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)
26. Management of the group meets your expectations (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)

Section C: The role of rural microfinance

27. The group has improved your livelihood (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)
28. The group has improved your income? (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)
29. Use of income from rural finance (*1 to start an income generating project, 2 buy food, 3 pay for school fees, 4 pay hospital fees, 5 other specify*)
30. Most members use the borrowed money for income generating activities (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)

31. Most members use income from group non income generating activities (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
32. The group has improved community relations (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
33. The group benefits every member equally (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
34. Committee members benefit more from the group (1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree)
35. What activities do you do in the group?

36. Why did you join the group?

37. What is your major source of income? (1 farming, 2 remittances, 3 employment, 4 rural finance, 5 trading, 6 minerals panning, 7 other specify

Section D: Opportunities' and challenges

38. Do you sometimes face problems in your group (1 Yes, 2 No)
39. The nature of the problems (rank the top 3 in order of importance)
- a. Lack of funding
 - b. Defaulting borrowers
 - c. Unequal benefit sharing
 - d. Lack of entrepreneurship skills
 - e. Lack of markets
40. How have you addressed these problems

41. Who provides you with assistance (1 no one, 2 government, 3 NGOs, 4 Local business people, 5Local MP, 6 Local Councilor, 7 other (specify).....
42. Nature of assistance (1 funding, 2 training, 3 office space, 4 transport 5 other (specify)

43. Assistance from government is adequate (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)
44. The group can survive without outside assistance (*1 strongly agree, 2 agree, 3 neutral, 4 disagree, 5 strongly disagree*)

KEY INFORMANT INTERVIEW CHECKLIST

1. Which microfinance groups exist in ward 20?

2. Which ones have women only as members?

3. What is the role of women microfinance groups?

4. Are women's microfinance groups more sustainable and why?

5. What challenges are faced by rural women microfinance institutions?

6. Are you aware of the rural microfinance policy?

7. What mechanisms should be put in place to improve rural microfinance institutions?

8. Who gave you the idea to start Fushai?

Staff questionnaire

1. Sex (1. Male, 2 female)
2. Age (1 below 2.18-65y 3.above 65)
3. Educational level (1.Secondary 2. Diploma 3. Degree 4. Post graduate)
4. Nature of employment (1. Bank 2. NGO 3.Micro finance institution)
5. Is your organisation involved in rural micro finance (1. Yes 2. No)
6. If no why? (rank the top 3 in order of importance)
 - a. Lack of funds
 - b. Poor infrastructure
 - c. Dispersed clients
 - d. Lack of market
7. Would you want to work in the rural areas (1. Yes 2. No)
8. If no why?(rank the top 3 in order of importance)
 - a. My family is in the urban area
 - b. Poor living standards
 - c. Clients are not educated and difficult to deal with
 - d. Lack of other employment opportunities
 - e. High Travelling costs
 - f. Poor social amenities (electricity, water, entertainment etc)
9. If you were to be transferred to rural areas what would you do (1. Resign 2. Relocate whilst looking for another job in the urban areas 3. I would stay in the rural areas)
10. Does your organisation offer an incentive for employees in rural areas (1.Yes 2. No)
11. If yes which incentives are offered?
.....
.....
.....
.....

Borrower's questionnaire

1. Sex (1. Male, 2 female)
2. Age (1 below 18, 18-65yrs, above 65)
3. How long have you borrowed from Fushai (1. One year and below 2. Two years 3. Three years)
4. What have you used the borrowed money for (1. Pay school fees 2. Buy food 3. Start an income generating project 4. Buy farm inputs 5. Other specify.....)
5. Have you managed to pay the loan in time (1. Yes 2. No)
6. If no what did Fushai members do to recover their money (1. Attach property 2. Gave more time 3. Reported me to village head)
7. Are Fushai members friendly (1. Yes 2. No)
8. Would you want to join Fushai (1.Yes 2. No)
9. Is Fushai important to you (1.Yes 2. No)
10. If no why ?
.....
.....
.....
11. What challenges have you faced when accessing loans in Fushai (1. Interest is too high 2. Repayment period is too short 3. Lack of funds)