MEASURING THE EFFECTS OF VILLAGE BANK PROGRAMME ON HOUSEHOLD INCOME. A CASE STUDY OF VULAMKOKO VILLAGE IN KATETE DISTRICT ZAMBIA.

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"This Research Report is submitted in partial fulfillment of the requirements for the award of the Degree of Master of Disaster Studies of Mulungushi University"

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CERTIFICATION

The undersigned certifies that, he has read and hereby recommends for acceptance of this Research Report titled “Measuring the Effects of Village Bank Programme on Household Income in Vulamkoko Village in Katete District” in partial fulfillment of the requirements for the degree of Master of Disaster Studies of Mulungushi University of Zambia.

Supervisor: Mr. Idani Lichilo

Signature: …………………………………….

Date: ………………………………………….

DECLARATION

I wish to declare that this is my original work and where other people's ideas have been used, they have duly been acknowledged.

Martha Kabuka Chisenga

Signature: ……………………………………..

Date: ……………………………………..…

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DEDICATION

I dedicate this research report to my beloved parents Mr. James Chisenga and Mrs. Beatrice Chisenga. Also it is dedicated to my brothers (James, Kashiki and Masika), sisters (Lydia and Ruth) and friends for their encouragement, assistances, financial support, advices, understanding and prayers during the entire period of my study and above all to my almighty God Jehovah.

ABSTRACT

The study was conducted to analyze the effects of village bank programme on household income in Vulamkoko village in Katete district Zambia. A cross sectional study design was used and a purposive sampling technique was used to obtain the data. Data were obtained using the structured questionnaire, two focused group discussions in Kadula and Chimutende and some in-depth interviews with key informants .The sample size was 100 households and 50 constituted the non-village banking members, which was the control group, the other 50 was village banking members. This paper found that household credit has a significant and positive relationship with household per capita expenditure and per capita nonfood expenditure. Moreover, household credit has a greater influence on poor households, in comparison with better-off households. The relationship between household borrowing and per capita food expenditure, however, turns negatively. These findings confirm that providing microfinance to the poor is an effective policy tool to reduce household poverty. Yet, its modest marginal impact suggests that poverty alleviation programmes need to refocus their attention on enhancing the efficiency and diversification of microfinance activities.

The village bank group (N = 50) was associated with an average monthly Income (Mean = K1144.03, SD 958.3117), by comparison non village bank group was (N = 50) with monthly Income (Mean= K530.72, SD 616.23). To test the hypothesis that Village bank group and non-village bank group have significant different mean income, an independent samples test was performed. As can be seen in the table 3. Additionally, the assumption of homogeneity of variance was tested via Levenes F test, F (98) =1.465, p = 0.230, p >0.05.

Key words*:Effects, Village bank, household and Income*

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

ACRONYMS

BRAC	Building Resources Across community
FGD	Focus Group Discussion
GB	Grameen Bank
MDGs	Millennium Development Goals
MFI	Micro Finance Institutions
MFR	Micro finance Regulations
NGO	Non Governmental Organization
SNDP	Sixth National Development Plan
VB	Village Bank

CHAPTER ONE

INTRODUCTION

1.1 Introductory Background

Micro-finance is one of the great success stories in the Sub-Saharan Africa and other developing countries in the last four decades and is widely recognized as a just and sustainable solution in alleviating global poverty (MCGE, 2009). According to UNDP (2015), micro-finance is defined as a set of innovative and alternative financial service to the poor who do not have access to formal institutions. Providing microcredit to the poor has been considered as a tool for poverty reduction (Lidgerwood, 2009). Village Bank is a microcredit methodology where-by financial services are administered locally rather than centralized in a formal bank. Early village banking methods were innovated by GB (Grameen Bank) and then later developed by groups such as FINCA. Village Bank relies on system of cross-guarantees, each member ensures loan of other member. By providing very poor families with small loans to invest in their microenterprises, Village Bank empowers them to create their own jobs, raise their incomes, build assets, and increase their families' wellbeing. (Grameen Bank, 2015). Household has been simply defined by Rakodi (2002:7) as 'a person or co-resident group of people who contribute to and/or benefit from a joint economy, in either cash or domestic labour, that is, a group of people who live and eat together'.

According to Yunus (2014) poor households not only have the capability for loan repayments but, they also profit from the loans they borrow. Today, the micro-finance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For micro-finance, this means viewing micro-finance as an essential element in any country's financial system (MCGE, 2009).

In Zambia, the Village Bank project which is being implemented by the Ministry of Community Development and Social Services under the department of Community Development. The Village Bank Project is aimed to developing an effective microfinance model for poverty reduction in Zambia through building the capacity. The Village Bank project it is aimed at strengthening the capacity of the two participating local micro finance institutions to provide sustainable micro finance services to the poor, especially women. The project seeks to develop an effective and viable model of micro credit delivery. This is the model that can be used by other MFIs in Zambia. In Zambia the Village Bank Project was first implemented in Chongwe District Replicated in 3 Districts namely Katete, Chama and Mambwe .In Katete District, the project began in 2006 and it was implemented in 4 wards namely Vulamkoko, Kafumbwe, Kagoro and Mphangwe . The Village Bank programme gives soft loans to poor women.

1.2 Research Problem

Although micro-finance is basically meant for very poor persons, contradiction has been observed among micro-finance scholars; for example Reed (2011) shows that many MFIs do not move poor people out of poverty due to the fact that poverty alleviation is not a priority amongst the objectives of many MFIs. Moreover Begasha (2012) observed that micro-finance schemes alone cannot alleviate poverty, but can only contribute to the movement of poverty alleviation as one of the strategies. Nitch (2001) argues that only very few poor people have participated, this could mean that it is not an agenda in raising household income issues. However, it has been observed that, currently there is a large number of micro-finance NGOs which provide financial service to the poor in Zambia.

Another study done by Armendariz and Morduch (2010) shows that microfinance clients are negatively affected by the projects; the negative effect is translated here as overload of debts due to continuous borrowing. This is because most MFIs concentrate on the repayment rate and how their clients graduate from one level of loan to another without due consideration of the changes brought by their loans to the client's economic status.

Few studies in Katete District have been carried out to gauge the effects of micro-finance on household income. Therefore, it is on this basis that the current study will contribute to the current body of knowledge on the effects of Village bank on household income.

1.3 Objectives

1.3.1 Main Objective

- Measuring the effects of village bank programme on household income in Katete District.

1.3.2 Specific Objectives

- To identify the social economic characteristics of the respondents.
- To investigate if participation in village bank Programme significantly increases rural community household income.
- To identify major challenges facing community participation in the village bank programme.

1.4 Research Hypothesis

Null hypothesis (Ho)

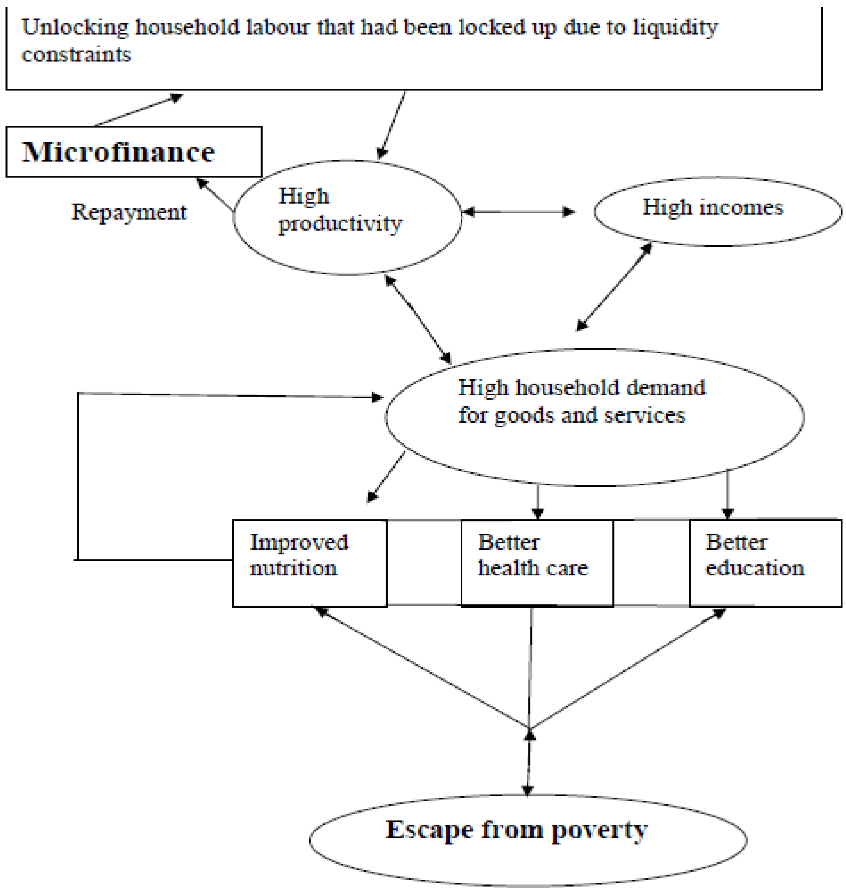
- Village bank does not contribute significantly to rural community's household income.

Alternative hypothesis (H1)

- Village bank does contribute significantly to rural community's household income.

1.5 Conceptual Framework

Figure 1



Theoretical framework

A conceptual framework provides understanding of the theoretical relationships between important variables and the performance of the village bank in raising household income of the villagers. In Fig. 1 the variables such as productivity and high income triggers the high propensity for households to purchase more goods and services which they previously could not afford.

This could be done by injecting some liquidity that is believed to unleash the productivity of household labour. Microfinance promises not only to break the vicious chain of poverty by injecting liquidity into the vicious chain, but also creates other opportunities of empowerment that lead to increased household well being such as improved nutrition, better health care and education. Ultimate result is that households will escape from poverty.

1.6 Significance of the study

Most financial institutions emphasize on the culture of mobilizing savings as a first attempt to 'teach the poor on how to save'. This has led to a new approach that considers micro-finance as an integral part of the overall financial system (Mkombe, 2005). This study will provide knowledge to the community on how microfinance helps them move out of income poverty. However, the study is in line with the Millennium Development Goals (MDGs), Seventh National Development Plan (SNDP) and vision 2030 of becoming a"prosperous middle income country" by 2030. It builds on the achievements and lessons learnt during the implementation of the previous NPDPs. This study will aim at bridging the current knowledge gap, and that the findings from the research could in some way explain the casual relationships among economic variables and used not only to understand the communities better, but also to provide a basis for policy. This will turn help stakeholders dealing with rural communities in designing better strategies and approaches to accelerate rural livelihoods in a sustainable way in Katete District,

1.7 Organization of the study

This study is divided into five chapters. Chapter one is on background information, statement of the problem and objectives of the study. Chapter two looks at the Literature review, conceptual definitions and research gap. This part covers the review of the secondary data related to the subject matter which is the contribution of MFIs to poverty reduction. At the beginning it tries to provide conceptual definitions of key terminologies used in this study. It also provides critical review of supporting theories or theoretical analysis. In addition, it gives theoretical links of relevant studies and it winds up with research gap identified that would assist in the analysis of the study findings.

Also empirical literature review is dealt with in this chapter. Research methodology is found in Chapter three This chapter covers the following, Description of the study area, Research Design, Sampling Technique, Data collection and data analysis methods. Chapter Four covers Presentation of the findings. This chapter consists of data collection, analysis and interpretation of the study. The main objective is to find out the extent to which Village Bank Programme contribute to household income in Vulamkoko Village in Katete District of Zambia. During data gathering, questionnaire and interview were used as means of collecting first hand primary data and journals, books, newspaper, extra used to gather secondary data of the study and discussion on the findings and finally in Chapter Five Conclusions and Recommendations were dealt with.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This part covers the review of the secondary data related to the subject matter which is the contribution of MFIs to poverty reduction. At the beginning it tries to provide conceptual definitions of key terminologies used in this study. It also provides critical review of supporting theories or theoretical analysis. In addition, it gives theoretical links of relevant studies and it winds up with research gap identified that would assist in the analysis of the study findings

2.2 Literature review

Microfinance, Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (2013) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs1 supplement the loans with other financial services (savings, insurance, etc)".

Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services. (Okiocredit, 2005).

2.3 History of Microfinance

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Johnson (2001) and Rogaly (1997). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidised rural credit programmes. These often resulted in high loan defaults, high lose and an inability to reach poor rural households (Johnson, 1997). Johnson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI2 began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term "microcredit" came to prominence in development (MIX3, 2005). The difference between microcredit and the subsidised rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The 1990s "saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale" (Johnson, 2001, p.54). Dichter (1999, p.12) refers to the 1990s as "the microfinance decade". Microfinance had now turned into an industry according to Johnnson (1997). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005).

2.4 History of village bank on household income

Barnes (1996) state that, an almost infinite array of variables could identify to assess impacts on different units. To be of use these must be able to define with precision and must be measurable. Conventionally, economic indicators have dominated microfinance IAs with assessors particularly keen to measure changes in income despite the enormous problems this presents. Other popular variables have been levels and patterns of expenditure, consumption and assets. A strong case made that assets are a particularly useful indicator of impact because their level does not fluctuate as greatly as other economic indicators and not simply based on an annual estimate.

Murdoch (1995) investigated that, First households can smooth incomes; this is most often achieved by making conservative production or employment choices and diversifying economic activities.

In this way, households take step to protect themselves from adverse income shocks before they occur. Second, households can smooth consumption by borrowing and saving, adjusting labor supply and employing formal and informal insurance arrangement. These mechanisms take force aftershocks occur and help insulate consumption patterns from income variability. Micro credit schemes have been practiced in many parts of the world for poverty alleviation. According to sharma(2000), many micro credit services in Asia and Africa targets women on the assumption that empowering women and targeting service to them leads to better allocation and use of household resources.

Microcredit refers to programmes that are poverty focused and that provide financial and business services to the very poor women. Microfinance is defined differently by different researchers from different point of view. Some viewed it as a tool for poverty reduction and others for women's empowerment. According to Noreen (2011:318), Microfinance is a type of banking service which provides access to financial and non-financial services to low income or unemployed people. For Van Maanen (2004), microfinance is about banking the un-bankable, bringing credit, savings and other essential financial services within the reach of the poorest to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In Rwandan context, Microfinance is simply defined as 'provision of financial services to low income clients including the self-employed' (Republic of Rwanda 2007:14).

However, this programme of Microfinance is implemented under the Microfinance Institutions (MFIs) which are defined by Murdoch (2000) as Institutions which provide financial services to the low income people who lack access to credit from the formal banking system for lack of guarantee. Among those MFIs, there are some which mainly target women. The products and services of most MFIs include Micro-Credits which have been defined by Bamwesigye (2008:24) as small loans made by Microfinance Institutions (MFIs) to the poor to pursue self-employment and start small businesses for the purpose of alleviating poverty and empowering them.

In relation to empowerment, Microfinance Programme is assumed to have the potential to transform gender power relations within the household and to empower women (Cheston and Kuhn 2002). The literature differentiates two ways of empowering women through Microfinance Programme; the first way is 'Direct empowerment' through offering to women the non-financial services including group trainings, workshops leading to the creation of greater awareness. The second way is 'Indirect empowerment' which is related to providing financial services to women in order to enable them to participate in the labour market and attain the economic independence. Then that participation increases their choice capability, self-confidence and decision making power which will lead them indirectly to empowerment (Swain and Wallentin 2009:545).

Nonetheless, Cheston and Kuhn (2002) mentioned that even though women's access to financial services increased in last decades, their ability to invest in and benefit from that access is still limited by the disadvantages related to household and community gender based traditions and norms. Microfinance Programme is viewed in this paradigm as a part of integrated programme for poverty reduction to the poorest households (Mayoux 2005:4).

Health and education are two key areas of non-financial impact of microfinance at a household level. Wright (2000, p.31) states that from the little research that has been conducted on the impact of microfinance interventions on health and education, nutritional indicators seem to improve where MFIs have been working. Research on the Grameen Bank shows that members are statistically more likely to use contraceptives than non-members thereby impacting on family size (ibid.). Littlefield, Murduch and Hashemi (2003, p.3) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been conducted they conclude, "households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households". Among the examples they give is of FOCCAS, a Ugandan MFI whose clients were given health care instructions on breastfeeding and family planning. They were seen to have much better health care practices than non-clients, with 95% of clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Littlefield, Murduch and Hashemi, 2003). Microfinance interventions have also been shown to have a positive impact on the education of clients' children. Littlefield, Murduch and Hashemi (2003, p.4) state that one of the first things that poor people do with new income from microenterprise activities is to invest in their children's education. Studies show that children of microfinance clients are more likely to go to school and stay longer in school than for children of non-clients. Again, in their study of FOCCAS, client households were found to be investing more in education than non-client households. Similar findings were seen for projects in Zimbabwe, India, Honduras and Bangladesh (ibid.).

2.5 Village Banking Model

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Holt, 1994). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000a). The loans are backed by moral collateral; the promise that the group stands behind each loan (GDRC, 2005).The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 2013). Members 'savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities.

Many village banks target women predominantly, as according to Holt (1994, p.158) "the model anticipates that female participation in village banks will enhance social status and intra household bargaining power "Impacts at a household level Health and education are two key areas of non-financial impact of microfinance at a household level. Wright (2000, p.31) states that from the little research that has been conducted on the impact of microfinance interventions on health and education, nutritional indicators seem to improve where MFI shave been working. Research on the Grameen Bank shows that members are statistically more likely to use contraceptives than non-members thereby impacting on family size (ibid.). Littlefield, Murduch and Hashemi (2003, p.3) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been conducted they conclude, "households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households". Among the examples they give is of FOCCAS, a Ugandan MFI whose clients were given health care instructions on breastfeeding and family planning. They were seen to have much better health care practices than non-clients, with 95% of clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Littlefield, Murduch and Hashemi, 2003).

Microfinance interventions have also been shown to have a positive impact on the education of clients ’children. Littlefield, Murduch and Hashemi (2003, p.4) state that one of the first things that poor people do with new income from microenterprise activities is to invest in their children’s education. Studies show that children of microfinance clients are more likely to go to school and stay longer in school than for children of non-clients. Again, in their study of FOCCAS, client households were found to be investing more in education than non-client households. Similar findings were seen for projects in Zimbabwe, India, Honduras and Bangladesh (ibid.).Robinson (2001) in a study of 16 different MFIs from all over the world shows that having access to microfinance services has led to an enhancement in the quality of life of clients, an increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income. Following a three-year study of 906 clients, ASA17 an MFI working with 60,000 rural women in TamilNadu, India, found that their project had many positive impacts on their clients (Noponen, 2005).

The programme was having a “positive impact on livelihoods, social status, treatment in the home and community, living conditions and consumption standards” (2005, p.202). Compared with new members, some of the findings showed that long-term members were more likely to live in tile roofed and concrete houses, to have a higher percentage of their children in school, to have lower incidence of child labour, to be the largest income provider or joint provider in the home, and to make decisions on their own as regards major purchases (Noponen, 2005). Clients also reflected significant increases in ownership `of livelihood assets such as livestock, equipment and land (ibid.).In 2002, FINRURAL, a microfinance networking organisation in Bolivia, carried out impact assessments on eight of its partner MFIs focusing on economic and social impacts at an individual, household and community level on both clients and non-clients (Marconi and Mosley, 2004). Many of the impacts on income were positive for the less poor and negative for the poorer clients, a trend that we have already seen.

Marconi and Mosley (2004) state that this should not be surprising as poorer clients are more risk adverse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock. However, it was found that social networks played an important part in helping clients escape from poverty. Access to social networks provided clients with a defence against having to sell physical and human assets and so protected household assets (ibid.).Chowdhury and Bhuiya (2004, p.377) assessed impact of BRAC’s poverty alleviation programme from a “human well-being” perspective in a programme in Bangladesh where they examined seven dimensions of ‘human-well being’18. The project included the provision of microfinance and training of clients on human and legal rights (ibid.). They noted that the project led to better child survival rates, higher nutritional status, improvement in the basic level of education, and increased networking in the community. Children of BRAC clients suffered from far less protein-energy malnutrition than children of non-members, and the educational performance of BRAC member’s children was also higher than that of children in non-BRAC households (ibid.). BRAC member households spent significantly more on consumption of food items than poor non-members did and per capita calorie intake was also significantly higher. Therefore, various studies and findings indicate that microfinance can, and is having very positive and diverse impacts at a beneficiary level.

Empowering Women a key objective of many microfinance interventions is to empower women. Mosedale (2003, p.1) states that if we want to see people empowered it means we currently see them as being disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. She states that empowerment cannot be bestowed by a third party but must be claimed by those seeking empowerment through an ongoing process of reflection, analysis and action (2003).Kabeer, quoted in Mosedale (2003, p.2) states that women need empowerment as they are constrained by “the norms, beliefs, customs and values through which societies differentiate between women and men”. She also states that empowerment refers to the “process by which those who have been denied the ability to make strategic life choices acquire such an ability”, where strategic choices are “critical for people to live the lives they want (such as choice of livelihood, whether and who to marry, whether to have children, etc)” (Kabeer, 1999, p.437). Therefore MFIs cannot empower women directly but can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater control over resources and their lives. Littlefield, Murduch and Hashemi (2003, p.4) state that access to MFIs can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities. However, they also state that just because women are clients of MFIs does not mean they will automatically become empowered. Hulme and Mosley (2006, p.128) also make this point when they refer to the “naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women”. However, with careful planning and design women’s position in the household and community can indeed be improved.

According to Littlefield, Murduch and Hashemi (2003), the Women’s Empowerment Program in Nepal found that 68% of its members were making decisions on buying and selling property, sending their daughters to school and planning their family, all decisions that in the past were made by husbands. They refer to studies in Ghana and Bolivia, which indicated that women involved in microfinance projects, had increased self-confidence and had an improved status in the community (ibid.). Hulme and Mosley (2006) state that microfinance projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that wasn’t there previously. From studies of the Grameen Bank and BRAC they show that clients of these programmes suffered from significantly fewer beatings from their husbands than they did before they joined the MFI (ibid.).

However, in a separate study of a BRAC project Chowdhury and Bhuiya (2004, p.383) found that violence against women actually increased when women joined the programme, as not all men were ready to accept the change in power relations, and so resorted to violence to express their anger. This violence did decrease over time. The study found that when the violence did rise, the members, because of their increased awareness, reported back to the group on their martial life and got support from the group (ibid.).

Jeffery Sachs (2005) in a visit to a BRAC project was amazed to find that women he spoke to had only one or two children, when he was expecting them to have five or six as he had become accustomed to for Bangladeshi women. When he asked those with no or one child how many children they’d like to have, the majority replied two. He calls this a “demonstration of a change of outlook” (2005, p.14). He refers to a new spirit of women’s rights, independence and empowerment among clients, showing the positive empowerment effects the project has had on the women (ibid.). Osmani (1998) analyzed the impact of credit on the well being19 of Grameen Bank women clients. The project was found to have increased their autonomy in that they were able to spend family income more freely than non-clients. They had greater control over family planning, but the project was not shown to have had an impact on clients’ control over other decision-making but they were found to have greater access to household resources than non-clients did.

However, Johnson (2004, p.5) states that having women as key participants in microfinance projects does not automatically lead to empowerment; sometimes negative impacts can be witnessed. She refers to increased workloads, increased domestic violence and abuse. This leads her to ask a crucial question of whether targeting women is just an efficient way of getting credit into the household, since women are more likely than men to be available in the home, attend meetings, be manageable by field staff and take repayment more seriously, even if they do not invest or control the loan themselves? Or on the other hand, if such targeting is fully justified on the grounds of enhancing gender equity. She claims the answer is probably somewhere between the two alternatives (ibid.). She argues that MFIs must analyze both the positive and negative impacts their interventions are having on women, and that MFIs need to work with men to help pave the way for a change in attitudes to women's enhanced contribution to the household (2004, p.6).

2.6 Review of studies done outside of Zambia

Maldonado, Jorge, et al (2005) study investigated microfinance's impact on Bolivian rural households' education choices. It identifies several effects of microfinance that positively influence a household's demand for child education. Microfinance's ability to expand a household's income and serve as an income smoother, the empowering effect it has on women and their ability to make decisions regarding schooling, and the demand microfinance **creates** for children's education—especially in programs that include an educational aspect for the mother—all lead to higher rates of primary school enrollment and completion.

Khandker (2003) in addition, many studies (primarily microfinance institution impact studies and academic researcher qualitative or case studies) have shown that microfinance programs were able to reduce poverty through increasing individual and household income levels, as well as improving healthcare, nutrition, education, and helping to empower women. For example, standard of living increases, which help to eradicate extreme poverty and hunger, have occurred at both the individual and household levels as a result of microfinance programs.

Bruce Wydick (1999) study of a Guatemalan MFI illustrates one such case. He found that as long as hired labor could be easily substitute for child labor in a family's micro enterprise, then access to credit increased children's chances of being in school. In cases where the enterprise required skills that took years to teach, such as the weaving of traditional Guatemalan fabrics, families were reluctant to train hired labor and preferred to pass their knowledge to their own children. Children learned the trade at home rather than attending school. Parents chose to do this because it ensured that "the rewards of the training would ultimately be captured within the household," thus avoiding the danger that a trained hired laborer would start a competing business.

ShahidurKhandker (1998) study of three Bangladeshi microfinance institutions found that for the two MFIs, which did not make children's, school enrollment a primary concern (unlike BRAC,) boy children of program participants are more likely to be enrolled in school as a result of the loan than girls. Regardless of whether the money lent to male or female participants in Grameen and RD-12, the probability that boys school enrolment would be increase. In contrast, only in one case (a Grameen loan to a female client) did the probability of girls' enrollment increase with a microfinance loan. Khandker attributes this to the fact that "boys are less likely to be drawn into self-employment activity or into household no market.

Khan (1999) had conducted a research on sample of 341 Bangladesh women. To find out about the availability, accessibility and desirability of credit for poor rural women how they valued the credit services that were availing through the facility of the credit program. Quantitative and qualitative data collected from seven randomly selected sub centers of the microfinance institutions there. Thirty women were further with vulnerability as they save and now able to deal with crises. They can send their children to school and pay for their health. There are remarkable changes in the situation of women accruing due to microfinance intervention. Women have had their voices strengthened, they managed to set up their businesses and run them, they are no longer dependents on their husbands and their leadership as their business skills has enhanced.

Navajos, Schreiner, et al (2000).These hypotheses on the stagnation of the impact of microfinance, particularly in the long term deserve serious attention from researchers. The conclusion on the microfinance schism is that governments and donors should know whether the poor gain more from small loans than from other alternatives such us health care, education, agriculture, food aid etc. Most measures of the impact of microfinance organizations fail to control for what would have happened in their absence

Schreiner (2002) studied the micro enterprise programs established with the help of microfinance program in the United States. Loans provided to the micro entrepreneurs to start business .These programs have positive impact on the lives of poor by creating **job** opportunities .Providing a source of income, building assets of their own. These benefits are always higher than the costs. The microfinance program in United States have a positive role to serve the needs of low income and poor people and the developments of micro enterprises have large impact on the industrial sector. Survey shows a good record of repayment of loans ion time which shows that microfinance programs are also successful in developed countries.

Townsend et al (2002) had conducted a research in Thailand. The focus of this study was to analyze the impact of micro finance institutions on the households. Variables like assets growth, consumption, entrepreneurship and job mobility also studied by using maximum likelihood function and two stage least squares. Estimations based on the household and institutional level data from a survey before the financial crises hit that area. Nineteen variables selected for the research purpose. The household level independent variables used in the regressions, age of head, age of head squared , years of education of head , male head (dummy) , number of adult males in household , number of adult females, number of children (under 18 years), total wealth squared , customer of formal financial institution (dummy), and member of agricultural organization(dummy). Results showed a positive impact of membership on the asset growth positive impact of membership on the entrepreneurship. The results clearly indicate a significant and positive impact of this program on households.

Gobbi et al (2005) has done a comparative analysis of the two survey conducted in Nepal and Pakistan. They interviewed 100 women clients from at least three different microfinance institutions for each country. The women represent a sample that have borrowed in initial micro finance loan and apply for loans to start their own business. The institutions which were selected, Priority was given to those that took into the account achievements of gender equality, empowerment, saving and self-sustainability. Their study showed that micro finance industry is fast growing in both countries and the outcomes are significant in both countries. The result showed a positive impact on profits and sales of their products in both the countries.

Coleman (1999) estimated the impact of microfinance program on household characteristics like consumption, health, education and employment by surveying the clients of Khushali bank in Pakistan. For empirical analysis, ordinary least square (OLS) and legit estimation used. The results showed that program does not have any impact on household consumption, expenditure on food items or education but a positive impact of program on health. The clients of the program who run micro enterprises have more monthly inputs in the business, although the results of these inputs do not seem to show up yet in increase sales and profits in aggregate sources of transport. It could be conclude from the empirical studies that microfinance has emerged as a noble substitute for informal credit and as effective and powerful instrument for poverty reduction. Microfinance loans have a strong and positive impact on the productivity and growth of micro enterprises especially in developed countries. People initially borrow loans from these formal institutions to set up their businesses and to expand their businesses at the later stages.

(Rossi and Freeman 1989; cited in Barnes and Sebstad, 1999) Establishing impact essentially is making a case that the program led to the observed or stated changes. This means that the changes are more likely to occur with program participation than without program participation.

2.7 Microfinance Industry of Zambia

The Microfinance sector in Zambia is unusually undeveloped, even by African standards. The sector is young, small in size, fragmented, and has a limited outreach. Financial inclusion is low, at just 37.3% of adults and the demand for microfinance in Zambia is high. Although well diversified, with a variety of different institution types, the sector has had limited support and will have to overcome many challenges in its development.

A combination of circumstances led to this late development and slow advancement. Until the liberalization of the banking sector in the 1990s, credit finance in Zambia was dominated by several large public sector institutions. Unsustainable business practices lead to the closure of these throughout the decade, giving space for the late emergence of MFIs. Subsequently, these MFIs did not benefit from the donor support that promoted microfinance in other countries around that time. The donor support reaching Zambia since then has largely been targeted at HIV/Aids and debt reduction, so has not benefited the microfinance sector. Any attention towards the financial sector has been focused on the formal banking sector and the development of regulatory and supervisory standards. On 30th January 2006 the Banking and Financial Services (Microfinance) Regulations (MFRs) became law, with the intention of propelling the sector to maturity.

Regulation divides Zambia's MFIs into two types – deposit taking MFIs (development MFIs) and non-deposit taking MFIs (credit companies). The microfinance sector has seen slow and unsteady growth. This has been attributed to the poor credit culture amongst clients, a lack of donor support, and the high expense of service provision in a country with inadequate transport and communication structure. MFI's operational costs are often not aligned with the low volume of activities and so many of the development MFIs are loss-making even though they are expensive by international standards. The credit MFIs (mostly subsidiaries of South African companies) are more financially robust, however it is feared the market for these will soon saturate as they target salaried employees, of which there are just 450,000 in Zambia29. Although many of these factors exist in other countries the Zambian microfinance sector has yet to overcome them, largely due to limited microfinance expertise30. Unusually, there is an absence of an obvious market leader in Zambia, so there is no one MFI to demonstrate good practices and spur others to improve their operations.

Microfinance Institutions

Data from the MIX shows that he microfinance sector in Zambia, as at 2009, recorded 31,340 borrowers and a gross loan portfolio of USD 6.5 million31. The sector's main players include several salary-based lenders with significantly higher numbers of borrowers and gross loan portfolio than of the institutions listed below. These salary-based lenders arecategorized as microfinance institutions under Zambian regulation, however operational and financial data on their loan portfolios is not readily available.

In Zambia, the project was first implemented in Chongwe District Replicated in 3 Districts namely Katete, Chama and Mambwe .In Katete District, the project began in 2006 and it was implemented in 4 wards namely Vulamkoko, Kafumbwe, Kagoro and Mphangwe . the Village Bank program gives soft loans to poor women it targets the vulnerable but viable women engaged and willing to be involved in entrepreneurship activities. The village bank women beneficiaries are given soft loans ranging from k500 to K2000 and they are required to pay the loan in a cycle which is the period of 6 months. The loan repayment is done weekly where an individual is required to pay 0.5% of whatever she got and 20% of the total amount.

2.8 Empirical Studies

The following studies show how the factors influence households' decision to join groups or cooperatives and how membership to these groups/cooperatives impacted on income and access to credit: Musopole et al., (2007) found that households are influenced by their desire to access credit and invest in small scale businesses to save money when they decide to join the micro credit groups or cooperatives in Zambia. This is the case because households realize that one of the means through which households can increase their income and therefore alleviate poverty is through access to credit. It is however, very difficult to access credit in Zambia such that the productive capacity of poor households is affected. The very few well to do households get credits at a softer term from formal markets as they are able to provide collateral. That is why most of households join groups or cooperatives to access credit for them to invest and save money since these micro-credit can easily give loans to a group rather than to an individual (Musopole et al., 2007).

CHAPTER THREE
MATERIALS AND METHODS

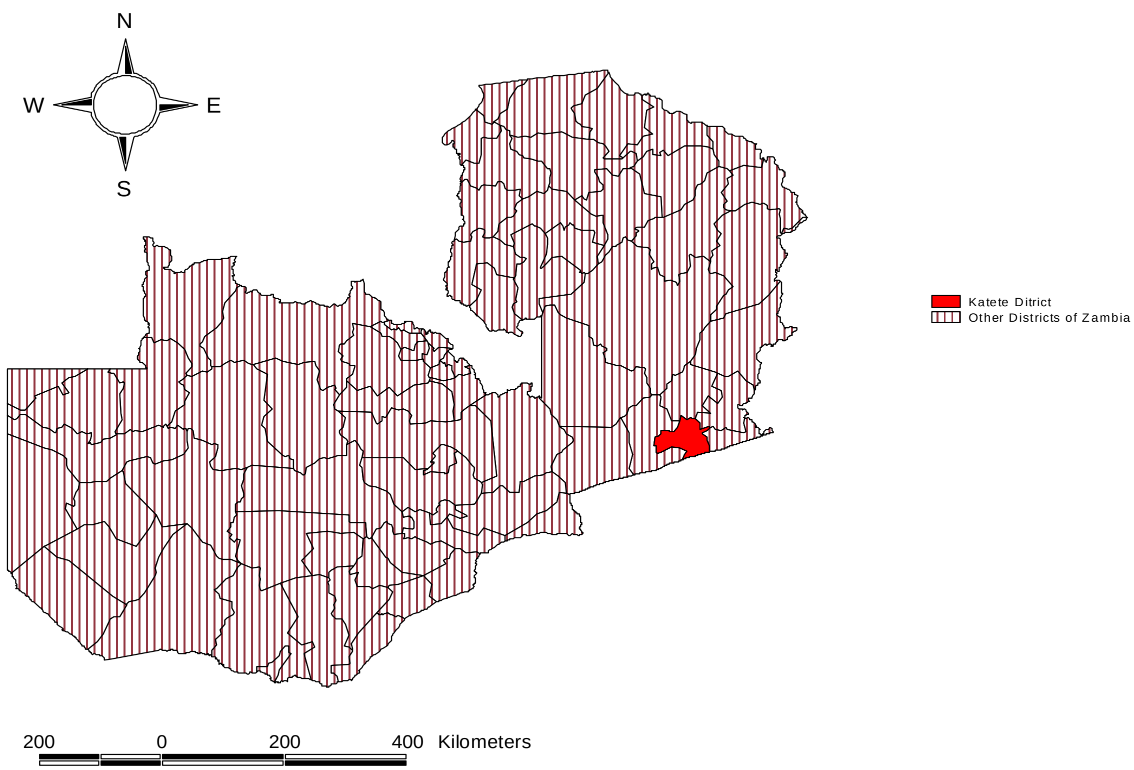
3.1 Study Area

The study area was Vulamkoko village which is located in Katete District which is in the Eastern part of Zambia. Katete District has a population of 12, 507 people (CSO, 2017).The area was selected due to its economic status within the district. Transport systems have been identified as a problem for the social, economic and political situation in the area. Social interaction is limited and economic activities are minimal due to insufficient transport systems in the area. There are four wards in Vulamkoko namely, Vulamkoko, Kadula, Chimutende and Azile. This study concentrated in two wards of Kadula and Chimutende .However, Katete district is divided into three (3) constituencies.

The main occupation of most of the inhabitants is subsistence farming and Chewa is the major tribe in the two wards. Other tribes if any represents government employees, traders or immigrants motivated to exploit business opportunities.

Figure 2

The Map of Zambia showing the study area of Katete District



Source: Ministry of Agriculture, 2018

3.2 Sampling Design

The study used a cross-sectional design, where by data was collected at a single point in time. The quantitative survey adopted a quasi – experimental methodology that determined the effects of village bank through comparison of a "treatment group" (treatment group are beneficiaries of micro finance project) and a Control group.

3.3 Sample Size and Sampling Frame

Both purposive and simple random sampling were used in the study. Two ward, namely Kadula and Chimutende were purposively selected because this is where the is robust economic activity and also it is a target area where the Village Bank Programme is implemented.

Random Sampling was used to select 50 beneficiaries from the list provided by the programme officials. The other 50 who were non beneficiaries were from the list of household from the list of household from the Village headmen.

3.4 Data Collection

Secondary Data Collection

Secondary data were collected from reports and published documents on surveyed Vulamkoko in order to examine village bank beneficiaries. Village Bank records and reports showing monthly, quarterly and annual balance position of the Village Bank Beneficiaries were used to obtain the desired information. Other sources were from the Ministry of Community Development and Social Services and the Internet.

Primary Data Collection

The structured questionnaire composed of closed and open ended questions were used as the main instrument for data collection. However, two focused groups discussions; one in Kadula and the other one in Chimutende were conducted in groups of ten (10) for each. According to Saunders et al. (2007), a typical focus group discussion involves four to twelve participants depending on the interviewers' skills and subject matter. An in-depth interview with key informants namely the Credit Officers, Headmen, Community Development Officer were also conducted.

3.5 Data Analysis

Descriptive statistics (frequencies, percentages and means) were determined using SPSS package. The data collected in the study was processed in Excel and then exported to SPSS and results summarized in tables. In testing the hypothesis a paired t-test was used to determine if there was a significant difference in the samples of the two groups household incomes.

In addition, independent-Samples *t* -Test was used to compare monthly household income of the treatment group (village bank group) and control group (non -village bank group) using SPSS. The independent-Samples *t* -Test was used in a similar research to compare the impact of microfinance on rural poor households' income and vulnerability to poverty (Fernandez-Cornejo, J. (2014)

3.6 Validity and Reliability

Validity is the degree to which an instrument measures what it is intended to (Denise, *et al*, 2001). The instruments for this study were pre-tested. Pre-testing was done to determine whether the questions were clear, unambiguous and could be understood by the study participants. Some adjustments to the questions in terms of language used, content and flow were made.

Ondeng (2000) refers reliability to the question of whether a measuring instrument or process can produce the same result if successively employed by different researchers. In the language of measurement equation, it refers to persistence of systematic error in the measurement process. It is a measure of how consistent the results from a test and it involves the accuracy of the research methods and techniques.

For the case of this research concerning the effects of village bank programme on household income , collected information were reliable and valid because the researcher was careful in collecting, analyzing and processing data from the respondents, the researcher was explicit, unambiguous and less complicated when formulating a questionnaire. The use of both primary and secondary sources of data by using different types of data collection instruments such as Questionnaire, interview, observation and documentary sources were designed to measure the same thing in order to check reliability. Also the use of purposeful sampling allowed the researcher to select the respondents based on the knowledge of the population its elements and research objectives. The researcher asked questions that were relevant to the study.

3.7 Ethical consideration

Ethics are norms for conduct distinguish between acceptable and unacceptable behavior. Research ethics refers to the application of fundamental ethical principles to a variety of topics in scientific research (Kothari, 2004). These include the design and implementation of research involving: Various aspects of academic scandal and so forth. The confidentiality of those involved in the observation must be carried out, keeping their autonomy and privacy secure. Also since research involved a great deal of cooperation and coordinating among many different people in different disciplines and institutions, ethical standards promote the values that are essential to collaborative work such as trust, accountability, mutual respect and fairness. Therefore, this study considered all these measures to secure the actual permission, and interests of all those who involved in the study and information provided by each individual or entity remained confidential throughout the study. Ethical issues such as guideline for authorship, copyright and patenting policies, data sharing policies and confidential rules in peer review were taken into consideration.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Socio-Economic Characteristics of the Respondents

The socio-economic characteristics presented under this section include the following: age of the respondents, gender, marital status of respondent, educational level of respondent, occupation of respondent, household size and household income are presented in table 1. Most of these characteristics have a direct relationship with the effects of village banking programme on household income.

Table 1 Distribution of village bankers and non-village bankers to age, gender, education level, marital status, family size, farm size, and years of being in the programme.

Variable	Village Bankers		Non- Village bankers	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Age (Years)				
25-34	17	34	6	12
35-44	24	48	9	18
45-54	8	16	7	14
>55	1	2	28	56
Total	**50**	**100**	**50**	**100**
Gender				
Male	-	-	-	-
Female	50	100	50	100
Total	**50**	**100**	**50**	**100**
Education				
None	8	16	24	48
Primary	20	40	21	42
Secondary	15	30	5	10

College	2	4	0	0
Total	**50**	**100**	**50**	**100**
Main Occupation				
Farmers	14	28	33	66
Agro-Shop	3	6	0	0
Grocery	8	16	1	2
Poultry	5	10	6	12
Hair Saloon	4	8	0	0
Marketeers	16	32	10	20
Total	**50**	**100**	**50**	**100**
Family Size				
0-4	8	16	3	6
5-9	21	42	23	46
10-14	17	34	18	36
>14	4	8	6	12
Total	**50**	**100**	**50**	**100**
Marital status				
Single	18	36	13	26
Married	15	30	23	46
Widowed	14	28	7	14
Divorced	10	20	7	14
Total	**50**	**100**	**500**	**100**
Monthly Income (K)				
<1000	22	44	31	62
1000-15000	16	32	14	28
1500-2000	8	16	4	8
>2000	4	8	1	2
Total	**50**	**100**	**50**	**100**
Defaulters	13		-	-

NON	37			

Source: Field survey, 2018

4.1.1 Age of the respondents

The survey results for both members of the village bank and non-members of the village bank respondents indicate that, there is small number of people engaged in banking activities at the age of above 55 years (Table 1). This can be attributed to inadequate strengths to perform entrepreneural activities and take care of small businesses, they entrust them either to their children or grandchildren. According to Basnayake and Gunaratne (2015), age of a person is usually a factor that can explain the level of production and efficiency. Findings show that the majority of respondents' age is between 35-45 years for Village bankers, representing 48% while non village bankers in the same age group were only 18%. The reason behind the observation could be explained by the fact that many people prefer to do off farm activities in towns and cities at young ages rather than in rural areas. Furthermore, results indicate that few people engaged in village bank activities at the age above 55 years.

4.1.2 Gender

The gender distribution showed that the practice of village banking is somewhat gender sensitive given that all respondents (100%) were female who were on the programme targeting women only.

4.1.3 Education level of respondents

From the results in Table 1, 16% of Village bankers had none school education compared to non-village bankers who had 48% non-school education, 14% had secondary education, 30% of village bankers had secondary education compared to only 10% for non-village bankers.

Furthermore, results show that about 4% of village bankers attained college school education, while no one for those in non-village bank did attend college education. From these findings, it can be realized that majority of village bankers attained primary, secondary and high school education level as compared to non-village bankers. This implies that village bankers have more exposure and ability to understand and create necessary strategies to improve their livelihood which lead to the increased productivity and hence income. Also Fernandez-Cornejo *et al.* (2014) and Wetengere (2009) reported that households with more education were also more likely to adopt new technologies and strategies. Thus prosperous development requires a broad education base of the rural population especially those who are engaged in agricultural production.

4.1.4 Main Occupation

Tables 1 reveal that marketeering and farming were the main occupation at 28% and 32% respectively for majority of respondents for those in village banking. It has been observed that farming is the main occupation for 66% of respondents and marketeering at 20% for those not in village banking. However, 6% have agro-shops for village bankers compared too none for none village bankers. Results further reveal that 8% of village bankers owned were hair dressers or owned saloons compared to 0% for non-village bankers. The analysis, reveal that the village bankers venture more into entrepreneurship activities than the non –bankers.

4.1.5 Family Size

The average household size for village bankers was about 5 persons with a minimum of 1 person and a maximum of 9 persons per household. Non village bankers had an average household size of about 6 persons with a minimum of 1 person and a maximum of 11 persons. The average household size has got an impact on availability of labor, especially considering that most smallholder farmers depend on family labor (Basnayake and Gunaratne, 2015). The more the number of people in a household, the more the family labor supply is, all other things held constant. This implicitly affects the amount of hired labor that a household uses on her business activities to undertake. The reason why non village bank household had more household size could be explained by the fact that there are more involved in farming which is more labor intensive

4.1.6 Marital Status

The distribution of respondents according to marital status revealed that the largest proportion of village bankers were single (36%), married (30%), widowed (28%) and widowed (10%).

However, compare to non-village bankers the largest proportion (46%) were married, followed by those who were single (26%) and both widowed and divorced (14%) each.

4.1.7 Household Income

From Table 1, it has been observed that many households in the village bank programme (44%) fall in the monthly income category of less than K1000 compared to those in non-village banking programme (62%).Results further review that those earning a monthly income of above K2000 in for those in the village bank programme were 8% compared to 2% in the non-village bank programme. This shows that village bankers get more income per month as compared to non-village bankers. The reason for having higher income range for those in the village bank programme may be due to the small business activities (off-farm) which they are involved in.

4.2 Determine the differences in household income between those respondents in the village bank programme verses the non-village banking recipient.

Table:2 Group statistics

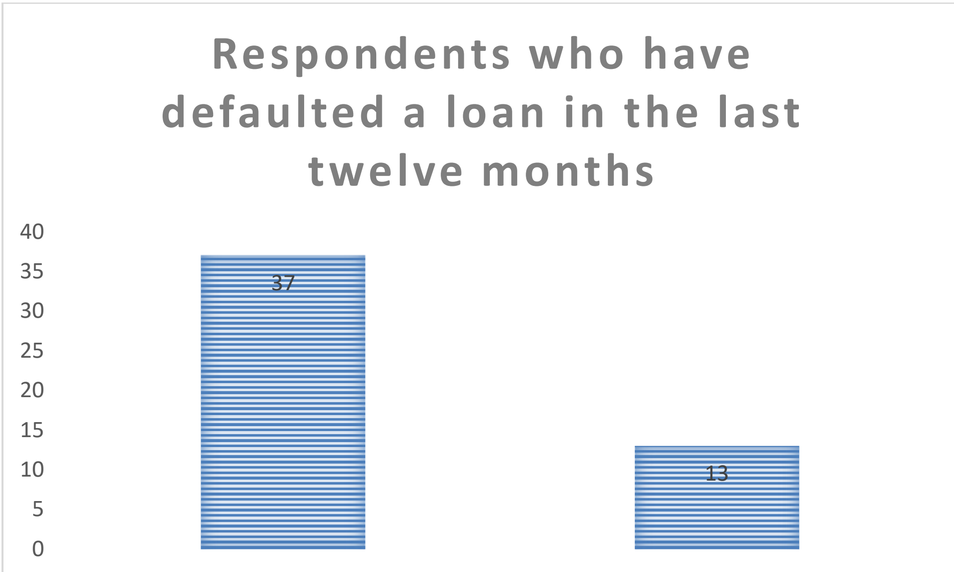
	practice	N	Mean	Std. Deviation	Std. Error Mean
Income	Village Bank Programme	50	1144.03	958.3117	151.52239
	Non Village Bank Programme	50	530.72	616.2307	97.43463

Table:3 Independent samples test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Income	Equal variances assumed	1.465	.230	1.362	78	.177	2453.24	1801.45	-1133.18	6039.67
	Equal variances not assumed			1.362	66.54	.178	2453.24	1801.45	-1142.93	6049.42

The village bank group (N = 50) was associated with an average monthly Income (Mean = K1144.03, SD 958.3117), compared to non village bank group was (N = 50) with monthly Income (Mean= K530.72, SD 616.23). To test the hypothesis that Village bank group and non-village bank group have significant different mean income, an independent samples test was performed. As can be seen in the table above. Additionally, the assumption of homogeneity of variance was tested via Levenes F test, F (98) =1.465, p = 0.230, p >0.05. The assumption of homogeneity of variance is met; therefore we accept the null hypothesis.

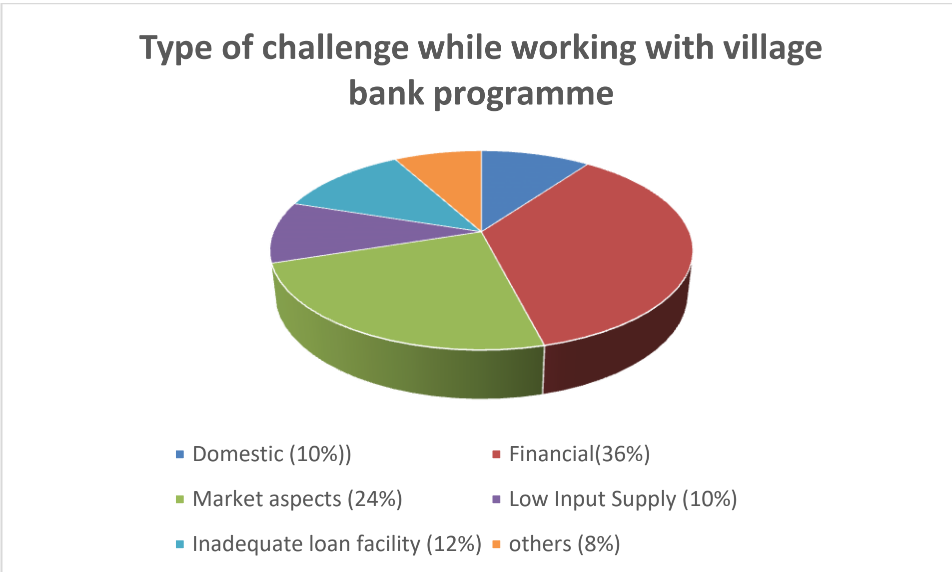
Figure 3: Respondents who have defaulted on a loan in the last twelve month



Source: Field survey, 2018

The figure above shows the number of village bank beneficiaries who defaulted and those who did not default. However, a number of reasons were given for those who defaulted, 13 is the number of beneficiaries who defaulted and the reasons given were due to sickness, funeral and low market returns. The 37 members were non defaulters.

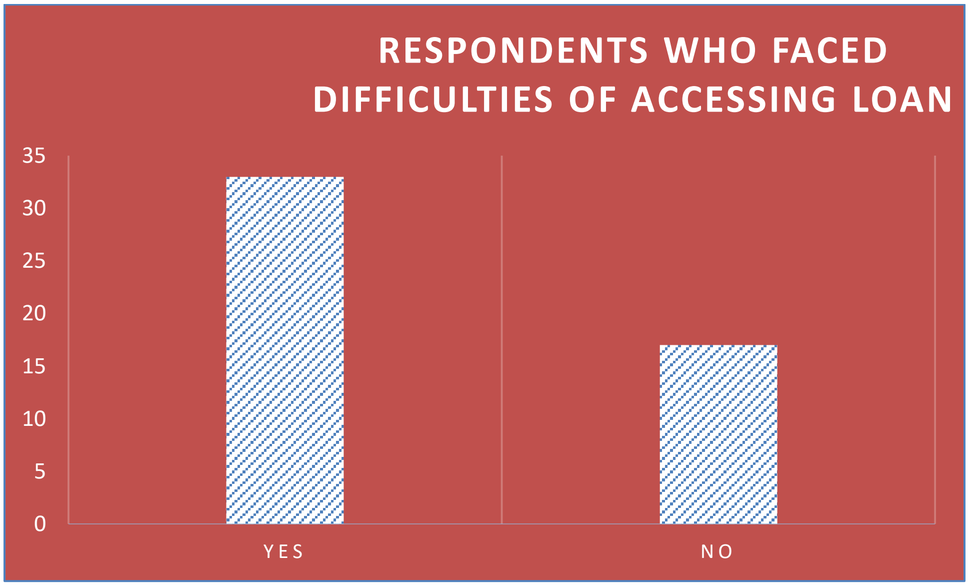
Figure 4: Type of challenge while working with village bank saving



Source: Field survey, 2018

The challenges that where faced by the village bank women beneficiaries was that the market was too low and sales returns which led to most of them not to complete the cycle on time and the other challenge that was been faced by the beneficiaries was business management they lacked the skill of business management. Other challenges which were being faced by the village bank beneficiaries were members of the group defaulting which focused other members of the group to make contributions for the one who defaulted.

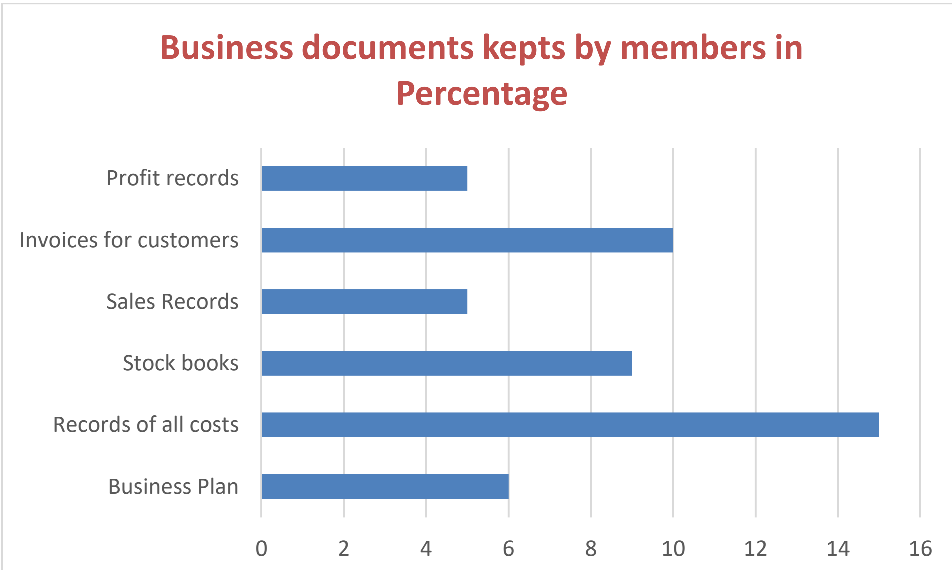
Figure 5: Members who faced difficulties at time of accessing loan



Source: Field Survey, 2018

Village bank beneficiaries were asked to account for the reasons that made it difficult for them to access village bank loan, majority 33 said that they lacked knowledge of Village bank operations and that the member of the group must be permanent inhabitant of the same village/compound and the remaining 17 said that low income which could make it difficult for them to repay back the loan for it was required of them to do the repayment on the weekly basis

Figure 6: Business documents kept by members



Source: Field Survey, 2018.

The beneficiaries were asked to account for the business documents that they used and the majority 30% had records of all costs, 20% had invoices for customers, 18% had stock books, 12% of them had business plans and 10% had records and sales records.

4.3 Discussions

The gender distribution showed that the practice of village bank is somewhat gender sensitive given that all respondents (100%) were female. From Table 1, it has been observed that many households in the village bank programme (44%) fall in the monthly income category of less than K1000 compared to those in non-village banking programme (62%). Results further review that those earning a monthly income of above K2000 in for those in the village bank programme were 8% compared to 2% in the non-village bank programme. This shows that non village bankers get more income per month as compared to village bankers. The reason for having higher income range for those in the non village bank programme may be due to the small business activities (off-farm) which they are involved in.

The village bank group group (N = 50) was associated with an average monthly Income (Mean = K1144.03, SD 958.3117), by comparison non village bank group was (N = 50) with monthly Income (Mean= K530.72, SD 616.23). To test the hypothesis that Village bank group and non-village bank group have significant different mean income, an independent samples test was performed. As can be seen in the table 3. Additionally, the assumption of homogeneity of variance was tested via Levenes F test, $F(98) = 1.465$, $p = 0.230$, $p > 0.05$. The assumption of homogeneity of variance is met, therefore the null hypothesis was accepted.

The findings show that village bank programme does not contribute significantly to rural community's household income because the Village Bank beneficiaries mainly focus on the repayment of the loan and the findings show that the non Village Bank beneficiaries had a highest percentage of people who earn less than K1000 in a month. The Village Bank Programme is met to for poverty reduction through capacity building. The village bank programme affects the household income level and consumption level. The contribution of microfinance to household welfare shows an increase in income and consumption level and ultimately affects the spending on health and education.

Generally it has been observed that, village bank programme have changed the life of poor people . Village bank' clients have increased their incomes, increased the capital invested and therefore expanded their businesses. These are the indicators of achievements in their business activities. To a large extent MFIs operation in Zambia has brought about changes in the standard of living of people who access their services. Although some of the clients have not benefited, most MFIs clients have benefited positively. Despite the achievements of MFIs clients, most of them complained that, the interest rates charged by MFIs were very high. In the case of Village Bank beneficiaries in Vulamkoko Village it was observed that they mainly focused on the loan repayment instead of improving their standard of living.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Access to microfinance around the world is most popular tool to facilitate the under privileged population to bridging gap between poor and rich. Microfinance has been play pivotal role smoothing household income and consumption level of low-income masses of the world. Eliminating Income disparities and creating income generating opportunities leads to increase household income, consumption level, assets holding and induced savings are grass root policy options.

These would pull poor households themselves out of poverty, they can access to necessities e-g quality food, improved housing, education, health care. Microfinance outreach program endeavors to improve the standards of living, sustain jobs, decrease unemployment, reduce poverty and empower the poor. Most poor people suffer from low level of funds to run household small-scale business; they do not have access to the formal banking services. Majority of poor population of Vulamkoko do not have access to financial services and ignore by the microfinance institutions. There are many complaints regarding the staffs of microfinance institutions for biasness with clients, who are extremely vulnerable. The cost of borrowing is high and complicated procedures are major hurdle to access.

5.2 Recommendations

- The Ministry of Community Development should come up with strict rules and regulations in order to prevent people from defaulting as well as the trend is detrimental to program scaling up.
- The loan repayment should be done on a bi-weekly basis so that beneficiaries are given enough time to do their business.
- Microfinance institutions should arrange trainings for poor population in order to improve their skills and increase income from household enterprise.

- Borrowers are constrained mainly by lack of education on business and credit management. It is therefore recommended that support in terms of training in financial and operations guidelines is highly needed so as to broaden the knowledge among borrowers on how to commit loans into productive activities.

- MFIs should restructure their training contents to include improving their clients' business skills. They should organise regular business training for their clients and qualified training institutions should conduct this.

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APPENDICES

Appendix 1: QUESTIONNAIRE FOR HOUSEHOLDS

Appendix

Pursuing the frontiers of knowledge

MULUNGUSHI UNIVERSITY

SCHOOL OF AGRICULTURE AND NATURAL RESOURCES

INSTITUTE OF DISTANCE EDUCATION

QUESTIONAIRE FOR HOUSEHOLDS

Dear respondent,

Your participation is anonymous and all responses provided will only be used for the research purposes and no information will be made available to any third party. In addition, your participation is voluntary and you have the right to terminate participation at any time.

Finally, your participation in this research is highly valued and appreciated.

Martha KabukaChisenga

MASTER OF DISASTER STUDIES

Please answer the following questions by ticking (√) the relevant block or writing down your answer in the space provided.

A. Bio Data

1. Age of Respondent:…………….. Years
2. Sex of Respondent: Male ☐ Female ☐
3. Marital Status:
   - i. Single ☐
   - ii. Married ☐
   - iii. Divorced ☐
   - iv. Widowed ☐
4. What is your level of education?
   - i. Illiterate ☐
   - ii. Primary ☐
   - iii. Secondary ☐
   - iv. College ☐
   - v. University ☐

5. What is your occupation? ………………………………………………………...

B. GROUP DETAILS

6. Are you part of any VILLAGE BANK group?

- **i.** Yes ☐
- **ii.** No ☐

7. What is the name of this village bank group ? ....

8. How many members are in this group?..

9. For how long have you been in this group? ……….. (Month) ………(Year….

10. Have you ever had a problem of defaulting in your group? i. ☐ ii. no ☐

11. If yes, how did you clear the debt for the defaulting member? ……………………………………

………………………………………………………………………………………………

…………………………………………………………………………………………………
……………..…

12. What would you say has been the main cause of defaulting in your group? ……………………….…………………………………………………………………… ………………………………..………………………………………………………… ………………………………………………………………………………………………… …………………………..

13. If not, what measures have you put in place for members not to default in your group? ………..
…………………………………………………………………………………………………
……….………………………………………………………………………………………
……………….

14. Do you think, the idea of paying for defaulters is a good one?

i. Yes ☐

ii. No ☐

Pleaseexplain………………………………………………………………………
………...
……………………………………………………………………………………………
………..……………………………………………………………………………
…………………..

C. INDIVIDUAL BUSINESS

15. Do you have an individual business?

i. Yes ☐

ii. No ☐

16. What is the Name of this individual business? ………………………………………

17. For how long have you been doing this business? ……….. (Months) ………. (Years)

18. Is this individual business registered?

    i. Yes ☐
    ii. No ☐

19. What type of individual business are you operating?

i. Grocery ☐ ii. Poultry ☐ iii. Agro shop ☐ iv. Piggery ☐ v. Gardening ☐

vi Others ☐ (Specify)…………………………………………………………..…..

20. What was your individual business' approximate gains/profits and costs in the last six months?

	Profits or Gains (ZMK)	Costs (ZMK)
Last month		
The previous month		
Three month ago		
Four month ago		
Five months ago		
Six months ago		

D. PERSONAL ECONOMIC STATUS

21. Has your involvement in village banking improved financial standing in your home?

   i. Yes ☐
   ii. No ☐

22. How do you compare your financial status (income) now to the time before you joined the village banking?

    i. Just the same ☐
    ii. Better now than before ☐

iii. Worse now than before
iv. Not sure ☐

23. If your answer to the above question is ‘2’ or ‘3’, do you think this change has been caused by your involvement in the village bank?
    i. Yes ☐
    ii. No ☐
24. Which of the following is true for your home, **at the moment?** (please select one)
    i. We don’t have enough money for food ☐
    ii. We have enough money for food, but not other basic items such as clothes ☐
    iii. We have enough money for food and clothes but are very short of many other things ☐
    iv. We have the most important things but few luxury goods ☐
    v. We have money for luxury goods and extra things ☐

25. Have you ever gotten any loan from village bank?
    i. Yes ☐
    ii. No ☐ `
26. If yes, on what have you used loans from VILLAGE BANK? (**Tick as many as appropriate**) ☐
    i. Food and Farming inputs
    ii. clothes ☐
    iii. School fees for children ☐
    iv. Building a house ☐
    v. Transport (e.g. buying a bicycle, motor cycle, van) ☐
    vi. Others ☐ (specify)………………………………………………………………
27. How much income on average do you receive monthly from VILLAGE BANK? K…………………
28. Which areas would you say have improved greatly due to your involvement in VILLAGE BANK?
    i. Social fund ☐

ii. Household savings ☐
iii. House hold expenditure and welfare ☐
iv. Health expenses ☐
v. Food security and nutrition ☐
vi. Availability of farming inputs ☐
vii. Paying School Fees ☐

E. CHALLENGES

29. Have you faced any challenges after joining Village bank?
    i. Yes ☐
    ii. No ☐
30. If yes to the above, what challenges do you face while functioning with VILLAGE BANK? (select as many)
    i. Financial challenges ☐
    ii. Market challenges for my business ☐
    iii. Low input supply for my business ☐
    iv. Domestic challenges ☐
    v. Lack of adequate loan facility ☐
    vi. Others ☐ (specify) …………………………………………………………
31. Did you face any difficulties at the time of getting a loan from VILLAGE BANK?
    i. Yes ☐
    ii. No ☐
32. If yes, please explain………………………………………………………………..
    ………………………………………………………………………………………
33. Did you get any type of training after joining Village bank?
    i. Yes ☐
    ii. No ☐
34. If yes, what type of training?
    i. Entrepreneurship training ☐
    ii. Selection planning and management of Income Generating Activities ☐
    iii. Business management training ☐

iv. Marketing training ☐

v. Others ☐ (specify)

……………………………………………………………………………………………

………………………………………………………………………………...

35. If married, does your spouse get involved in decision making?

i. Yes ☐

ii. No ☐

36. Do you have any of the following business documents/records for the individual business? (Please tick as many as relevant)

i. Business Plan ☐ ii. Records of all cost ☐ iii. Sales Records ☐ iv. Profit records ☐

v. Stock control records ☐ vi. Invoices from your customer ☐

37. Which of these documents have you **started using in the last year**?

i. Business Plan ☐ ii..Records of all costs ☐ iii. Sales Records ☐ iv. Profit records ☐

v. Stock control records ☐ vi. Invoices from your customer ☐

38. If yes, who will decides for which purpose loan amount be utilised?

i. Respondent ☐

ii. Spouse ☐

iii. Both ☐

39. If the answer to question above is ‘iii’, whose decision is often considered final in an event of disagreement?

i. Respondent ☐

ii. Spouse ☐

iii. Either of us depending on reasoning ☐

40. Who is actively involved in day to day running of the business?

i. Respondent ☐

ii. Spouse ☐

iii. Both ☐

41. What do you think should be done to improve the functioning of the Village bank?

…………………………………………………………………………………………………

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Thank you

Appendix 2: Questionnaire for Non-Village Bank members

A. Introduction

Dear, Sir/Madam, I am here for the research purpose on **the effects of village bank program on household income in Katete district: a case study of Vulamkoko village.** . All questions and all information's provided will strictly be treated confidentially. Thanks.

All questions and all information's provided will strictly be treated confidentially. Thanks.

Questionnaire#......................................	Date……/……./…………….
Interviewer……………………………….	Agricultural Camp………………………………
Village……………………………………	Name of respondent(optional)………………….

B. Background information

Please tick (v) where appropriate.

1. Sex of respondent. Female=1 Male=2

2. What is your age? .... 3. Marital status Single=1 Married=2 Divorce=3 Widow=4 Separated=5

4. Education level of respondent. Non=1 Adult = 2 Primary = 3 Secondary = 4 Others (specify) = 6

C. Household background

5. Household composition:

Main occupation

S/N	Name	Date of birth	Sex	Relationship with respondent	Main occupation

6.Are your children schooling? Yes=1 No=2

7. If no, explain why? ....

D. Economic activities

8. What is your major economic activity? Farming = 1 Livestock keeping (specify) = 2 Both 1 and 2 = 3 Civil servant = 4 Non-farm business (specify) = 5

9. Which year did you start that activity? ....

10. What is your average income level per month (Kwacha) ? …………………………..

11. Had you receive any loan from anywhere for the activities? Yes = 1 No = 2

12. If yes, where? ……………………………………………………………….

13. If no, why? ....

14. Was it enough for your requirements? Yes = 1 No = 2 15. Can you recall of the amount of capital you have when starting this activity? Yes = 1 Don"t remember = 2 16. If yes, how much? ……………………………………………………………..

17. Where did you get capital? Friends = 1 Donor = 2 others (specify) = 3

18. How did you spend the profit from your business? ……………………………

19. Does the income generated cover household basic needs? Yes = 1 No = 2

20. If yes, what are the basic needs? a)…………b)……..c)…………..d)…………………………………………….

21. If no, why? ………………………………………………………………………….

22. What are the challenges facing your micro business? ……………………………

E. About Village Banking

23. Are you aware of existence of Microfinance institutions in your area? Yes = 1 No = 2

24. If yes, mention some. a)…………………………………….. b)…………………………………….. c)…………………………………….. d)……………………………………..

25. Do you have membership to any Microfinance institution? Yes = 1 No = 2

26. If yes, mention a) …………………………… b) …………………………… c) …………………………… d)……………………………..

27. If no, why? ……………………………………………………………………

F. About Village Banking

28. Have you ever heard about Village banking? Yes =1 No = 2

29. If yes, where? ……………………………………………...………………

30. Do you think Village banking can help in alleviate income poverty? ....

31. In your opinion do you think Village banking is priority? Yes = 1 No = 2

32. If yes, why are you not a member? ……………………..………………………

33. If no, what were your priorities? ....

34. Can you tell me why are you not joining Village banking? …………………………….

G. Aspect of income poverty

35. What do you understand by the term income poverty? …………………………

36. What is the most common indicator of income poverty? ………………………..

37. What do you think are the causes of income poverty? ……………………………

THANK YOU FOR YOUR COOPERATION

Appendix 3: Checklist for key informants

Dear, Sir/Madam, I am here for the research purpose on **the effects of village bank program on household income in Katete district: a case study of Vulamkoko village.** All information's provided will strictly be treated confidentially. Thanks.

1. Please may I know your official title?

2. Do you know the household Sources of incomes in your area?

3. How many Village bank groups do you have in your area?

4. Please can I know the amount of the evolving fund and the total number of beneficiaries in your area? Amount……………….………………………… Total beneficiaries…………………………………………..

5. To what extent has the Village succeeded in your area so far? Excellent = or > 75%, Very good 70% -75%, Good 60% - 69%, Fair 50% - 59%, Failure 50%, NA = 0, Others = 1 ………………………………………………………

6. What are the challenges you are facing on working with these Village banks?

7. What are the opportunity do the Village banks members have?

8. Do you think there is any potential for increasing number of Village bank groups?

9. How can you describe the contribution of Village banks to poverty alleviation strategies?

10. What do you think are the consequences that occur as a result of VICOBA in your area?

11. In what way do these groups manage to encounter challenges from cultural and political issues? 12. The role of NGOs and other development agencies in the context of poverty alleviation in your area.

13. What could be the reasons for some of the community members not joining the Village groups? 14. Do you think Village can help in alleviate income poverty?

THANKS FOR YOUR TIME AND PARTICIPATION.