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EXAMINING THE EFFICACY OF MICROFINANCE INSTITUTIONS ON POVERTY REDUCTION IN ZAMBIA: A CASE STUDY OF KABWE NEW-MARKET.

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ABSTRACT

The paper employs data analysis to examine the efficacy of microfinance institutions on poverty reduction in Zambia: a case study of Kabwe new-market. The project is implemented using two types of data; primary and secondary data. These data focus on household level differentiated by income, education of children, shelter, and access to clean water and access to good health care. This article focuses much on investigating critically the efficacy of microfinance institutions loans on poverty reduction in Zambia at household level. Microfinance institutions quiet alright exist to carter for the poor in accessing financial services. In recent years, we have seen the industry growing at a fast rate throughout the world. Basing on the core existence of microfinance institutions coupled with the growth rate of the industry, it brings about much needy to find out the extent to which poverty has reduced to date. The critical areas to look at are; income, education of children, shelter, and access to clean water and access to good health care at household level. Shelter explains much on the poverty status of the family. Families accessing loans from Microfinance are expected to have improved shelters normative speaking but in actual sense not all families accessing microfinance loans have improved shelters which trigger the anxiety of further investigation of what has gone wrong. The result of the enquiry to this matter is simply lack of training on entrepreneurial skills on the part of those accessing microfinance loans. This circumstance of lacking entrepreneurial skills can be avoided or rather be sorted out once and for all if all Microfinancial Institutions can come up with a deliberate policy of conducting entrepreneurship trainings to all their clients who seek to access the loan facilities. Microfinancial Institutions are generally playing a very crucial role to boost the standard of living of those living in poverty. It is therefore very important for the Central Banks to come up with a well-defined support and regulatory framework for MFIs in order to keep the industry competitive but affordably by both the proprietors and the clients.

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CHAPTER ONE: INTRODUCTION

1.1 Overview

The chapter provides the framework for this study content. The chapter also describes the background for this study content, it states the statement of the problem clearly, coherent and sufficiently, it also states the objectives of the study, then looks at research questions and proceeds to look at theoretical and conceptual framework, then states the significance of the study and finally states the operational definitions of concepts.

1.2 Background of the study

The study was done in the town called Kabwe. Kabwe is a provincial capital of the Zambia's province called central province. The town was formerly named as Broken Hill with the population of 188,979 according to the central statistics 2018 report. It was founded when lead and zinc deposits were discovered in 1902. Kabwe also claim to be the birth place of Zambian politics as it was an important political center during the colonial period. European and Australians prospects named it Broken Hill (until 1966) after a similar mine in Broken Hill, New South Wales, Australia. The mine was the largest in the country for around thirty (30) years until it was overtaken in the early 1930s by larger copper mining complexes on the Copperbelt.

The name Kabwe or Kabwe Kamukuba means Ore or Smelting. The big fig tree national monument cape tree is a prominent feature in the downtown Kabwe. In the quest to Search for metal ore deposits in the limestone caves of Kabwe, Zambia, Swiss miner Tom Zwiglaar is credited with finding the first early human fossil ever to be discovered in Africa. When Kabwe (also known as Broken Hill) was sent to Arthur Smith Woodward, Woodward assigned the specimen to a new species:

As Kabwe is not really a tourist destination, there's nothing particular to be bought here. But of course, there is a typical African market, south of Independence Avenue just west of the railway tracks, and you can get great fresh foods at good prices" **The Kabwe New Market**". (Zambia Tourism, 2019).

Kabwe Town, Just like any other towns in Zambia, has various programs that has been running that are intended to reduce poverty sponsored by both Governmental Organizations and Non-Governmental Organizations in the targeted areas of the Town for some time now just as emphasized in the United Nation Development Programme (UNDP) Zambia Human Development Report (2011) that service delivery for Sustainable Human Development in Zambia addresses the gains, opportunities and challenges in four sectors critical to Zambia's human development progress namely:

i. Agriculture,
ii. Education,
iii. Health, and
iv. Water and sanitation.

Apart from the running poverty interventional programs, the town has a good number of microfinance institutions operating within the town, like: Bayport, Good fellow, Microfinance Ltd, FINCA, Madison Finance, Moneta Finance, Xtenda, Unity Finance, Meanwood Finance Corporation, Blue Financial Service, just to mention a few (BOZ, 2019), just to mention a few. Despite the heavy presence of all these programs and Microfinance Institutions, the 7NDP states that it had been observed that the pattern of economic growth in Zambia is highly unequal and has not

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increased the incomes of the poor rapidly enough to lift them out of poverty.

Matyaqubovich (2016) defined Microfinance as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises accordingly. The role is meant to provide financial support to the low-income people and assist them in order for them to become self-sufficient hence allowing citizens from lower socio-economical classes to participate fully in the economy activities.

2017-2018 Market Research Stores-Market Research Reports (2017) also defines Micro-financing as a type of banking service that is provided to low-income individuals or the unemployed or groups of people that do not have any means to obtain any financial services. The goal of microfinance companies is to provide an opportunity to the low-income borrowers to become self-sufficient through saving and borrowing money and providing micro insurance.

Furthermore, Poverty Alleviation is linked to Micro Finance Institutions as a result of MFIs objectives. The most commonly mentioned objectives include the poverty alleviation and improved living standards, offering financing to the poor (Harper, et al. 1999), women's empowerment, Rahman (1991) and the development of the business sector as a means of achieving high standards and reducing market failure, Chijoriga and Cassimon (1997).

Today the World Bank estimates that more than sixteen (16) million people are served by some seven thousand (7,000) microfinance institutions all over the world. CGAP experts mean that about five hundred (500) million families benefits from these small loans making new businesses possible. In a gathering at a Microcredit Summit in Washington DC the goal was reaching one hundred (100) million of the world´s poorest people by credits from the world leaders and major financial institutions. Nevertheless, the microfinance sector faces limitations. Different studies in recent years raise doubts about the positive socioeconomic impact that microfinance products and services can have on the lives of customers; many markets are struggling against the destructive trend of over-indebtedness of customers, and the total number of customers served has not reached satisfactory levels given the estimated demand of 2.5 billion people. In particular, the rural sector remains underserved due to the high operating costs and the fact that the risk involved is often unknown and difficult to assess or monitor with current methodologies. (UN overview on MFIs in Africa, 2013).

Based on the above information, it is widely believed that Microfinance Institutions (MFIs) play an important role in poverty reduction.Recent research has highlighted the importance of microfinance in poverty alleviation. For example, according to Littlefield et al (2003), there is abundant support to demonstrate that microfinance can lift families out of poverty and is also able to contribute to the completion of six of the eight millennium development goals. A large amount of research and practice have shown that providing access to financial services to the poor and microenterprises can help alleviate poverty and its consequences in a number of ways (UN overview on MFIs in Africa, 2013).

On contrary, Hugh Sinclair (2012) in the book titled, Confessions of a Microfinance Heretic,

wrote How Micro lending Lost Its Way and Betrayed the Poor, in which he debunks the image of
microfinance as a do-good industry committed to helping poor people create sustainable businesses. Unite-For-Sight (2015) also carried an article with a title Pitfalls in Microfinance where it was postulated that MFIs charge high interest rates on loans. High interest rates often sink consumers further into debt and poverty and failure to assist and empower borrowers through training. Few micro-lending organizations provide any type of formal business training to their recipients, as they assume that all loan recipients are entrepreneurs and that they understand how to succeed in business.

Moodie (2013) suggested that microfinance operations may amplify the existing vulnerabilities of the clients they aim to help. From the information above, we can deduce that the core existence of Microfinance Institutions is specifically to cater for the individuals who are economically isolated from accessing financial assistance from banks mainly because of their status as low-income citizens. This category of citizen mainly survives by selling little profitable merchandize and by running Small Scale and Medium Enterprises.

Poverty is defined as the state of being extremely poor according to Collins Co-build English Dictionary. Laurence (2011) contributed that Poverty reduction lies at the core of the global development challenge. For the international development community, this objective serves not only as a source of motivation, but as a defining theme across its work. Many of the world's most prominent aid organizations cite poverty reduction as their overarching goal.

Kabwe has two major Markets in Central District Municipal (CDM) called Green Market and New Market. There are a lot of Marketers and SMEs operating from the same markets. The Study was expected to be of significant input to the Government and Non-Government Planners in poverty reduction and would expose the effectiveness or ineffectiveness of Microfinance Institutions in poverty reduction among the low-income citizens. The outcome of this study was expected to give a real picture of the socio-economic prospective of the people participating in the Micro Finance Institutions (MFI) related programs.

1.3 Statement of the problem

Zambia had one of the world's fastest growing economies for the ten years up to 2014, with real GDP growth averaging roughly 6.7% per annum, though growth slowed during the period 2015 to 2017, due to falling copper prices, reduced power generation, and depreciation of the kwacha. Zambia's lack of economic diversification and dependency on copper as its sole major export makes it vulnerable to fluctuations in the world commodities market and prices turned downward in 2015 due to declining demand from China; Zambia was overtaken by the Democratic Republic of Congo as Africa's largest copper producer. GDP growth picked up in 2017 as mineral prices rose. Despite recent strong economic growth and its status as a lower middle-income country, widespread and extremely rural poverty and high unemployment levels remain significant problems (CIA World Factbook, 2019).

In a bid to rescue the situation, there has been wide growth in the establishment of several Microfinance Institutions. The 7thNational Development Programme (7NDP) observed that

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the pattern of economic growth in Zambia is highly unequal and has not increased the incomes of the poor rapidly enough to lift them out of poverty (7NDP, 2017).

Earlier studies conducted by Fin Scope Zambia (2010:30) stated that one of Zambia's major problems is its high poverty levels with 70% of the population living in poverty and 62.7% of its population financially excluded due to lack of income and expensive bank products. This phenomenon is coupled with lack of employment opportunities for many citizens due privatization of most of its state-run firms and companies where thousands of workers were unemployed in Kabwe District. Consequently, the redundant employees embarked on Small and Medium-Size Enterprises (SMEs) for their livelihoods. Microfinance became an alternative as they could not borrow from conventional financial institutions due to stringent requirements such as collateral (Zelu 2013). It was for the above reasons that the researcher was seeking to assess the effectiveness of MFIs in poverty reduction in Kabwe Districts.

Despite recent progress on financial inclusion whereby 4.8 million adults (59.3 percent of the adult population) were financially included as of 2015, much remains to be done to achieve this vision. More than 3.5 million Zambian adults (approximately 41 percent of the adult population) are financially excluded and more than 5 million Zambian adults (approximately 60 percent of the adult population) do not use financial products and services from regulated providers. In addition, significant disparities in financial inclusion remain between rural and urban areas, men and women, youth and adults, and small and medium enterprises (SMEs) and large firms. (Republic of Zambia, National Financial Inclusion Strategy 2017–2022).

Based on the above information, the researcher found it interesting to assess the role of MFIs in poverty reduction in Kabwe. It was for this reason that the researcher was inspired to seek to Examining the Efficacy of Microfinance Institutions on Poverty Reduction in Zambia, a case study on Kabwe's New Market.

1.4 Objective of the Study

1.4.1 Overall Objective

Examining the efficacy of Microfinance Institutions on poverty reduction in Zambia.

1.4.2 Specific Objectives

i. To assess the role of MFIs loans in accessing better health care and education
ii. To establish how MFI loans improves shelter and access to clean water at household level.
iii. To investigate the effect of MFIs loans on poverty reduction at household level.
iv. To determine the strategic plan for sustainable livelihoods among marketers in Kabwe.

1.4.3 Research Questions

i. How does accessing a loan from an MFI affect poverty reduction at house level?
ii. What is the impact of MFI loans on shelter improvement and access to clean water at household level?
iii. Do accessing loans from an MFI promote better health care and education?
iv. Do MFI promote strategic plan for sustainable livelihoods among marketers?

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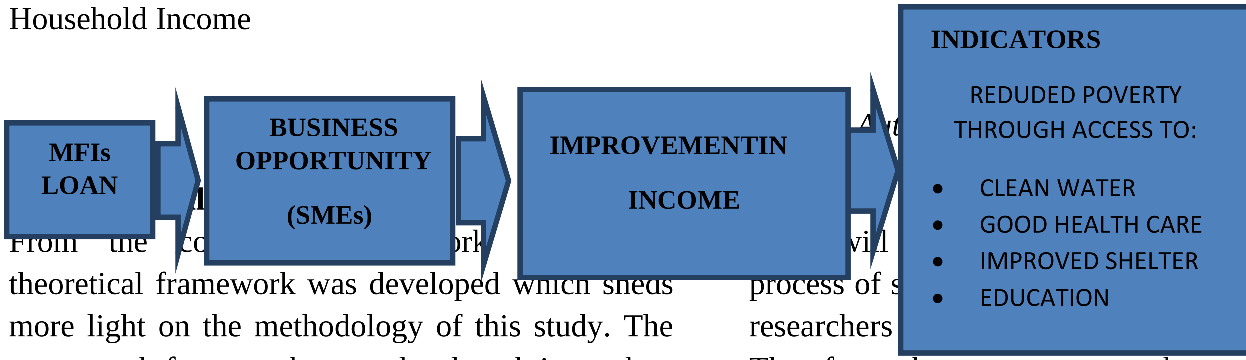
1.4.4 Conceptual Framework

Figure 1: Relationship between MFI Loans and Household Income



From the co rk theoretical framework was developed which sheds more light on the methodology of this study. The conceptual framework was developed in such a way that it reflects the outcome of household income level as the result of MFI Loans.

Haji Yussuf Haji (2013) postulated that this is due to the assumption that increase on growth of income, result into an increase of SMEs owner's wealth and overall standard of living since the profit obtain from SMEs activities enable the SMEs owners to meet his/her living expenditure, hence create a possibility of trickle-down effect. Hence the conceptual framework reflects the possible effects of accessing MFI loans. The conceptual framework for this study was developed in relation to the reviewed literature and own understanding of the phenomenon.

1.6 Significance of the Study

The findings of this study will be beneficial to the society considering that MFI Loans play a vital role in boosting the living standard of people around the global in the today's world. The back ground of the ever-growing demand for finances justifies the need for more research on effectiveness of MFI loans on the society at household level. Hence MFIs that need to be very effective and instrumental to the society would use the findings of this study in order to stay abreast in-service delivery. Administrators too will be guided on what should be of more emphasis on service delivery of

earcher, the wi cal areas in process of s ns that many researchers to explore. Therefore, the new way or theory of effective administration of MFI loans may be arrived at.

Furthermore, the researcher hopes that the findings of the study would add up to the existing knowledge on the performance of MFIs and enables the Government planners and other stake holders to address problems concerning the fight of poverty alleviation not only in Kabwe District but other places inclusive. The findings would further guide the financial Institutions to come-in in the fight against poverty in their respective districts.

1.7. Operational Definitions of Concepts

- MFI stands for Microfinance Institutions.
- 7NDP stands for Seventh National Development Plan.
- SME /MSE stands for Small and Medium Enterprises.
- MOF stands for Ministry of Finance.
- IFC stands International Financial Corporation
- GDP stands for Gross Domestic Product
- UNCDF stands for United Nations Children Development Fund
- UN stands for United Nations
- BRAC stands for Bangladesh Rural Advancement Committee
- ROSCA stands for Rotating Credit and Savings Association

- MESO Level analysis indicates a population size that falls between the micro and macro levels.
- SHG stands for self-help group.
- NATO stands for North Atlantic Treaty Organization.
- National Financial Inclusion Strategy abbreviated as NFIS
- MMD stands for Movement for Multi-Party Democracy.
- BRAC stands for
- MHOs stand for Mutual Healthy Organizations
- NGOs stands for Non-Governmental Organizations
- Millennium Development Goal (MDG)
- HIV – Human-Immune Virus
- AIDS – Acquired Immune Deficient Syndrome
- WHO – World Health Organization
- United States Agency for International Development (USAID
- BRAC Bangladesh Rural Advancement Committee
- CREPA/IRC - International Water and Sanitation Centre
- Community Based Organizations (CBOs)
- ASCI in Ethiopia and KRep in Kenya
- LAGEMYAM - a women's association working for improved sanitation
- Water Partners International (WPI)

CHAPTER 2: LITERATURE REVIEW

2.0 Overview

The purpose of this literature review is to access and to explore what other writers have written on MFIs. The whole literature body is divided into three parts namely:

i. The role of MFIs loans in accessing better health care and education.
ii. MFI loans improve shelter and access to clean water at household level and
iii. The general research that have been done on MFIs.

2.1The Role of MFIs Loans in Accessing Better Health Care and Education

Isabel (2019) stated that in Bangladesh, 65percent of health expenditures are out-of-pocket payments. This lack of funded health care puts considerable pressure on the millions of people with debt from microloans. For many, a health emergency means much more than paying loan installments late; it can mean liquidating business assets that put an end to income-generating activity indefinitely, or going to informal money-lenders who charge exorbitant interest rates.

Brakatu (2007), contributed that according to recent World Health Organization estimates, every year twenty-five (25) million households (more than one hundred (100) million people) are forced into poverty by illness and the struggle to pay for healthcare. This coupled with the lack of basic health infrastructure in rural and remote areas aggravate the health conditions of the poor, leaving them in a perpetual state of poverty. Access to health services and health protection is a key component of the fight against poverty as good health is a major driver of economic development and a necessity for the poorest nations' climb out of poverty.

Over the past 30 years, microfinance has proven to be one of the few poverty alleviation strategies that have helped impoverished individuals improve their household economic situation through job

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creation, development of micro enterprises, improved access to education, and healthcare. Born out of the simple notion that the poor can save and are bankable, microfinance is the dissemination of small loans to help the impoverished that will otherwise not have access to loans, to engage in a variety of economic activities. Microfinance has been successful in reaching the poor and helping them gradually escape from poverty because of its strong competency in using scarce resources to efficiently reach the underserved.

Because of its success at poverty alleviation, the micro-finance model is increasingly being replicated to provide much needed auxiliary services for the poor. Currently, several Microfinance Institutions (MFIs) integrate non-financial services, such as training sessions on nutrition and health, particularly HIV/AIDS, reproductive health, and malaria preventive measures into their credit schemes. These services, in addition to access to credit, have had a positive impact on the health and nutrition practices of the poor. However, the affordability of health services continues to be a problem. A few microfinance organizations have begun to, in addition to health education, adopt innovative strategies based on the microfinance model to facilitate linkages to health service products and providers by financially empowering the poor to finance their healthcare needs.

Numerous impact evaluation studies support the effectiveness of microfinance and its impact on poverty. Research funded by The World Bank examined the impact of three microfinance institutions in Bangladesh over a seven-year period and found dramatic decreases in overall poverty, with the highest impact on those families in extreme poverty. However, microfinance is not a silver bullet; legitimate issues exist, such as the ability to address the needs of extremely poor people, the level of debt burden for individuals, and the uneven performance of microfinance institutions worldwide. (WHO, 2018)

Sheila (2009) postulated that according to conservative estimates from United States Agency for International Development (USAID) studies, at least thirty four (34) million of these households are very poor, representing one hundred seventy (170) million people, many of whom live in remote areas beyond the reach of health agencies, both private and government. Many microfinance institutions in Africa, Asia and Latin America already successfully offer services beyond microfinance, including training in business and financial management. An increasing number also offer health-related services, such as education, clinical care, and health financing (loans, savings and health insurance) and establishing linkages to public and private health providers to facilitate access to health care. This is a vast, private-sector infrastructure of service delivery that is mostly self-financed by interest on loans.

Holvoet (2004) contributed that direct credit through an MFI (i.e. loans given without stipulation as to the use of the funds) did not have significant impacts on educational participation for the households surveyed. Other studies have found positive effects on schooling from microfinance, especially among borrowers that have an extended (for more than one year) relationship with the microfinance institute.

Maldonado and Gonzalez-Vega (2008) found a positive relationship between participation in Bolivian microfinance programs and reduced education gaps that is to say; children in

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households served by MFIs miss less school and are less likely to drop out of school.

Sheila (2009) stated that Single solutions are not enough to solve the prevalent and persistent problems of infectious disease, high maternal and infant death rates, and the rising incidence of chronic illness. Microfinance institutions have already shown themselves capable of contributing to improving health-care capacity and health outcomes by educating clients, facilitating access to public and private providers, making referrals to higher levels of skill and resources, providing health financing options (such as loans, savings and micro insurance) and even directly delivering clinical care.

2.2 MFI Loans Improves Shelter and Access to Clean Water at Household

Catarina (2009) contributed that Microfinance are important towards contribution to the achievement of the Millennium Development Goals (MDGs). If used properly, it can help to reduce income poverty, lessen the vulnerability of the poorest and empower women. For the water & sanitation sector, it can help the poor to have access to water services.

Microfinance has not been available for financing water supply and sanitation activities, because these are not usually perceived to be sufficiently attractive. A long term is normally required for repayment and the direct link with income generation is not always obvious. However, some Microfinance institutions argue that the core blockage to increased Microfinance in the water and sanitation sector is awareness of the business case for water supply and sanitation projects (CREPA/IRC, 2006)

2.3 The general research that have been done on MFIs

In most developing countries, financial services such as bank loans, insurance, and pension funds are not accessible by the poor. When some forms of credit are available, these are often limited to either community savings groups or informal money-lenders that charge very high interest rates, reflecting the lack of a formal market. However, for many donors, foundations and private investors, it is the notion of fairness that is appealing: the poor deserve to have access to
Financial services as much as those who have money Micro-credit is the principle of giving small loans to the very poor to help them generate an income of their own (Wheat, 1997).

MicroFinance is broader and incorporates savings and insurances as well as credit. During the last couple of years, microfinance has become an even broader concept. “Building inclusive financial systems for the poor” is increasingly used as the financial institutions that provide financial services to the poor become more diversified and cannot be described as Microfinance Institutions (MFIs. Nobody knows how many microfinance institutions, formal or otherwise there are now, but mainstreaming into the financial sector has taken place since the mid-1990s. Leading microfinance institutions around the world (such as FINCA, The United Nations (UN) has paid close attention to and recognized the important role of microfinance in the socio-economic advancement of communities. This has included the declaration of the year 2005 as the year of microfinance, conducting studies and producing publications on the subject, and strengthening activities of its specialized fund for small-scale investment (UNCDF). More recently, the UN Secretary

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General has designated a Special Advocate for Inclusive Finance, to champion the microfinance agenda. (United Nations Report, 2013).

Krauss (2006) contributed that until the global financial crisis that erupted in late 2007, available data suggested at most a weak relationship between usual performance indicators in the microfinance industry and international capital market developments and even domestic macroeconomic conditions. This was presented as an attractive feature of the microfinance sector as an asset class for fund managers interested in risk diversification. The lack of strong correlation was attributed to, among other things, to the apparent insulation of MFI clients to developments in formal domestic and international markets, and the lower financial leverage of MFIs in comparison with other types of financial institutions.

Krauss (2008) further postulated that Microfinance is arguably one of the most effective techniques for poverty alleviation in developing countries. Although traditionally supported by non-governmental organizations and socially-oriented investors, microfinance institutions (MFIs) have increasingly demonstrated their value on a stand-alone basis, typically exhibiting low default rates combined with attractive returns and growth, encouraging greater commercial involvement. The paper addressed a related issue whether microfinance shows low correlation with international and domestic market performance measures. If so, it could form the empirical basis for MFI access to capital markets and performance-driven investors in their search for efficient portfolios.

Gabriel (2011) in the article entitled The Impact of the Global Financial Crisis on Microfinance and Policy Implications contributed that the global financial crisis affected Microfinance Institutions (MFIs) as lending growth was constrained by scarcer borrowing opportunities. D'Espallier et al (2013) also contributed that despite several sustainable rural financial intermediations that have simultaneously achieved dual objectives of financial sustainability and social outreach, a large number of MFIs across the developing world still fail to address the widely demanded financial services in rural markets in a cost effective way.

In the World Bank Poverty and Shared Prosperity report (2018) is an article which contributed that the percentage of people living in extreme poverty globally fell to a new low of 10 percent in 2015 down from 11 percent in 2013, reflecting continued but slowing progress. The world has made tremendous progress in reducing extreme poverty. World Bank Poverty Report (2018) states that as the world grows wealthier and extreme poverty becomes more concentrated, there are legitimate questions over whether $1.90 is too low to define whether someone is poor in all countries of the world. In half of the countries in the world, extreme poverty is at or below three (3) percent, but that doesn’t mean the fight to eradicate poverty is over in these countries.

The World Bank Report (2018) stated that evidences show that microfinance in Africa is developing at all the three levels of the financial system namely;

The micro (financial service providers),
MESO (support service providers), and
Macro (policy, regulatory framework and supervision).

At the micro level, there are many stakeholders and growing interest from banks and private investors. Microfinance institutions (MFIs) are having a predominant role, with a strong credit unions membership, although the bulk of savings is still mobilized through the banks. At the MESO level, MFIs have scaled up provision of services such as training or auditing, and indications are that some associations are active in coordinating the activities of MFIs. At the Macro level, countries are increasingly shifting to more conducive paradigm of market-based policies, while also putting in place regulatory and supervisory frameworks.

United Nations Report (2013), the report describes Africa's economic growth since the mid-1990s, generated through improved macroeconomic management and governance, economic and regulatory reforms that have provided a more conducive environment for private sector development and substantially opened up economies, and a favorable external environment that has followed by a prolonged period of higher commodity export prices. Despite this growth, however, the report reveals that the continent's private sector remains small, dominated by small enterprises that are engaged in largely informal activities, their growth hampered by limited access to formal financial services, such as deposit and credit facilities and other financial services.

Thierry (2011) postulated that improved financial services are needed most in Africa's poorest economies and countries emerging from conflict. Microfinance is a critical tool in the fight against poverty and an important part of IFC's effort to support the development of a vibrant private sector in the region. Over three (3) billion people in developing countries are still without effective access to loan and deposit services. The problem is particularly acute in Sub-Saharan Africa, where only between five and twenty-five percent of households have a formal relationship with a financial institution. The region is also home to just two percent of the world's microfinance institutions. Lack of access to financial services is therefore one of the largest constraints to private sector development in Africa. Addressing this shortfall requires creating new institutions and building operational and managerial capacity from the ground up (Microfinance in Africa, 2012).

Mosedale (2003) also postulated that if the world wants to see all the people empowered it should mean that the currently disempowered should be empowered who are disadvantaged by the way power relations shape their choices, opportunities and well-being. A key objective of many microfinance interventions is to empower women who are mostly disempowered. She further stretched 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).

Mosedale (2003) also stated that women need empowerment as they are constrained by "the society norms, beliefs, customs and values through which societies differentiate between women and men". She also stated 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.)" 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 (2003) postulated 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 (1996) pointed out that 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 of women's position in the household and community can indeed be improved tremendously. According to Littlefield, Murduch and Hashemi (2003), the Women's Empowerment Programme 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.

Hulme further stated 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 previously before they joined MFIs and fostered an increased income, improved women's lives, control over fertility, sustainable environment, and decreased mortality, decreased morbidity and increased nutritional status (Bhuiya, 2004).

Chowdhury (2004) in a separate study of a BRAC project 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.

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" 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.

Johnson (2004) postulated 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.

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2.4 Personal Critique Summary

In as much as literature has been reviewed from difference parts of the world, most of the underlying Roles that the MFIs perform in poverty reduction can be related even to the situation in Zambia but the extent may differ looking at the economic and cultural differences in different regions of the world. This research centers very much on the factors that are currently prevailing in Zambian economic standard of living. It is therefore very important to bear in mind that the world in 90s is totally different from the world today. The world is now like one big village due to technological advances in logistics and ICT. In 90s world economies were so much isolated as compared to 20s, hence the term Globalization. In all reviewed literature above one thing is coming out strongly, that Microfinance Institutions play a vital role in fighting poverty. However, most writers did not do much on the part of interest rates charged by Microfinance organizations whether it is or not a restraining factor for most poor people to borrow from Microfinance institutions. Another issue which is silent is the means and ways used by Microfinance organizations to handle clients who default to pay back the loans which may be one of the major restraining factors to the poor people in accessing loans, bearing in mind that if they used rough means to handle such issues the majority happen to be instilled with fear hence making it impossible for microfinance institutions to fulfill their intended purpose on the poor. Finally, one thing is Chrystal clear that Microfinance institutions are a key to improve the living standards of the poor in the community. The literature reviewed in Zambia and outside revealed gaps such as the performance of Microfinance Institutions (MFIs) can improve lives of poverty-stricken people not only by provision of loans but also by educating the beneficiaries. The key question to note is that "how wide the education should be covered in order to produce the required results?" The study is meant to identify determinants or factors that can be used to measure the standard of living by which to use to determine the poverty status of people in Zambia.

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CHAPTER 3: METHODOLOGY

3.1 Introduction

In this chapter we discuss the procedures and methods used for data collection and analysis. The study adopted a descriptive survey that sought to investigate the role of microfinance institutions on poverty reduction in Zambia.

3.2 Research Design

The researcher adopted a descriptive case study design to carry out the study. Ashley (2019) a case study is a research method that relies on a single case rather than a population or sample. Case studies are also useful in the early stages of research when the goal is to explore ideas, test, and perfect measurement instruments, and to prepare for a larger study. The case study research method is popular not just within the field of sociology. Additionally, a mixed method approach was adopted for this study. Crosswell (2003) the field of mixed methods has only been widely accepted for the last decade, though researchers have long been using multiple methods, just not calling them "mixed." Mixed methods research takes advantage of using multiple ways to explore a research problem.

3.3 Target Population

Mugenda (1999) postulated that the target population refers to all the members of a real or hypothetical set of people, events or subjects to which we generalize the results of our research. Therefore, Kabwe New Market was selected for study because it has a large representation of MFIs in Central Province. Hence the Target population involved in the study consisted of the all SMEs within the confines of Kabwe New Market business area. Information obtained from Kabwe New Market office and from Kabwe municipal council licensing department on trade register indicated that there were over one (1) thousand micro and small enterprises businesses registered by the council to trade in the town. It should be noted that out of the registered traders, some traders' trade in the other market called Green Market which is also located within Kabwe town Centre. These businesses had the following characteristics selling farm produce, horticultural, vegetables, cereals, retailers, and wholesalers of assorted goods and services related business, operating either in fixed location or mobile establishments.

3.4 Sample Size and Sampling Procedure

3.4.1 Sample Size

In this study the researcher embarked on a population sample size of 50 (based on time frame and the resources needed for the program) participants in order for the research analysis to merit significance in statistical decision making. The distribution was as follows;

- 40 Questionnaires for MFI Loan consumers

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- 10 Questionnaires for MFI Staff.,

3.5 Sampling Techniques

A probabilistic sampling approach was adopted by the researcher to select the respondents. This prevented a bias selection of participants and enabled every eligible participant to have equal chances of being selected in the sample. Consequently, the systematic stratified random sampling technique was used to sample the respondents.

3.6 Data Collection Instruments

The study used both secondary and primary sources of data. Data was collected using primary (field research) and secondary (library) sources. A primary source is a document, speech, or other sort of evidence written, created or otherwise produced during the time under study. Library research involved both published and unpublished materials in both public and private libraries. Information to this study came from the field of research to supplement the information already in published and unpublished literature. Information obtained from primary source was treated with high confidentiality. Where indicated or requested by informants, anonymity was guaranteed. The informants were explained the relevance and usefulness of the study before informing it. All cited works was rightly accredited. The researcher got the authorization letters from the concerned authority before starting the actual research.

3.7 Procedure for Data Collection

The main tools used for data gathering were questionnaires and oral group interviews in a form of group discussion. The majority of the questions in the questionnaire were close-ended while a few was open-ended. The close-ended questions would be asked with the view to permitting vivid comparison of responses while the open-ended questions will be aimed at allowing participants to supply information which was not captured by the response categories. As for group a discussion, the researcher was mingling with participants in such a way that participants expressed them themselves freely in any possible they feel about Microfinance Institutions (MFI) Loans.

2.8 Data Analysis

Data was processed using Stata and Excel. Stata is a general-purpose statistical software package that was created in 1985 by StataCorp. Most of its users work I research, especially in the fields of economics, sociology, political science and other professional respects. Microsoft excel is a spreadsheet program included in the Micro software office suite of applications.

3.9 Ethical Consideration

The researcher considered the following Ethical issues:

i. Participants were informed about the research and sought consent.
ii. Ensured that there was no invasion of privacy.
iii. Kept anonymity of respondents.
iv. Introductory letter and Student ID were always presented to those participants seeking clarification before the research commences.

3.10 Limitations of the Study

The researcher encountered the following limitations during research:

i. Transportation was really a challenge because some participants were only present early in the morning and late in the afternoon.

ISSN: 3471-7102, ISBN: 978-9982-70-318-5

ii. It was never easy to convince participants to speak out their true position in terms of living standard.
iii. Collection of data was not easy because participants feared that the researcher would expose them to tax authorities.

CHAPTERS FOUR: FINDINGS

4.1introduction

Thomas (2010) defines findings/results section as where the researchers report the findings of their studies based upon the methodology, they applied to gather information. This section states the findings of the research arranged in a logical sequence without bias or interpretation.

4.2 Results

The researcher entered data on excel sheet which enabled the research results to be analyzed on excel itself and then further analyzed using STATA Statistic Package. The summary of data obtained from MFI Loans consumers interviewed on the role of MFIs in poverty reduction was as follows:

57% were male while 43 % were female.
65% were married, 10% widowed, 7% separated and 18% single.
55% had reached secondary education, 27% primary education, 10% college education and 8% never attended school.
63% considered the interest rates as high, 37% as average and 0% low.

When data was introduced to STATA Statistic Package the following were the results:

Minimum Loan was K2, 500 and Maximum was K20, 000 with the mean of 5,937.75 and Standard Deviation of 3,990.823.
Minimum age was 27 Years and Maximum of 52 Years with the mean of 35.175 and Standard Deviation of 7.178627.

The summary of data obtained from MFIs staff interviewed on the role of MFIs in poverty reduction was as follows:

One staff was randomly picked from each represented MFI.
The average number of clients per month of the represented MFIs was 150 consisting of both males and females.
The average interest rate was 36.43%.

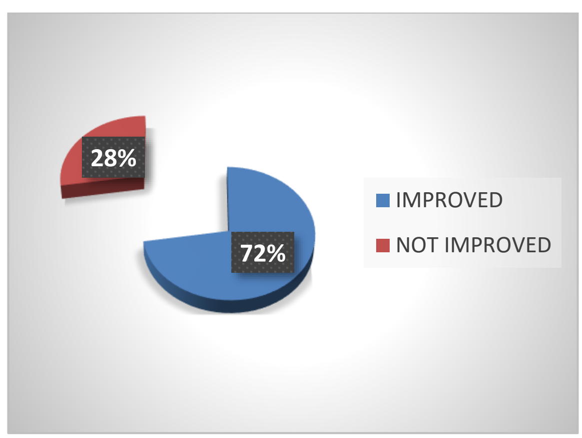
All the MFI presented in the study gave a grace period of one month to customers before they start liquidating the loan.

4.2.1 Savings

The findings on saving revealed that:

72% of the respondents had their savings improved after accessing MFI Loans
While 28% had their savings unimproved even after accessing MFI Loans.

As expressed in Figure 4.1



Source: Author, 2019

ISSN: 3471-7102, ISBN: 978-9982-70-318-5

4.2.2 Shelter

The findings on shelter revealed that:

87% of the respondents had their shelter improved after accessing MFI Loans
While 13% had their Shelter unimproved even after accessing MFI Loans.
As expressed in Figure 4.2

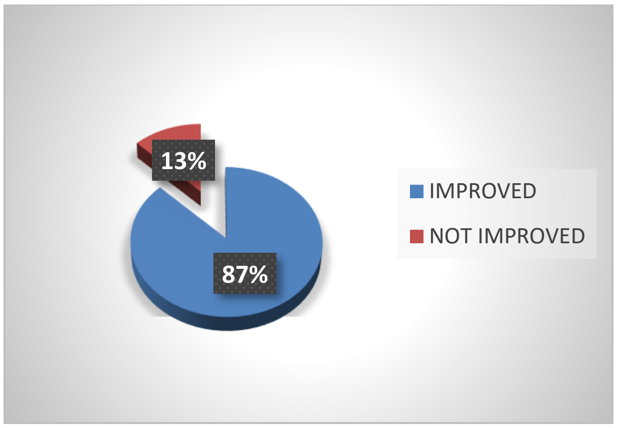
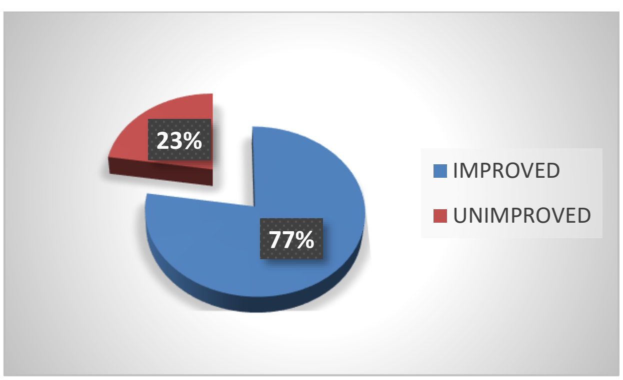


Figure 4.2, *Source: Author, 2019*

4.2.3 Health Care

The findings on health care revealed that:

77% of the respondents had their Health Care improved after accessing MFI Loans
While 23% had their Health Care unimproved even after accessing MFI Loans.
As expressed in Figure 4.3



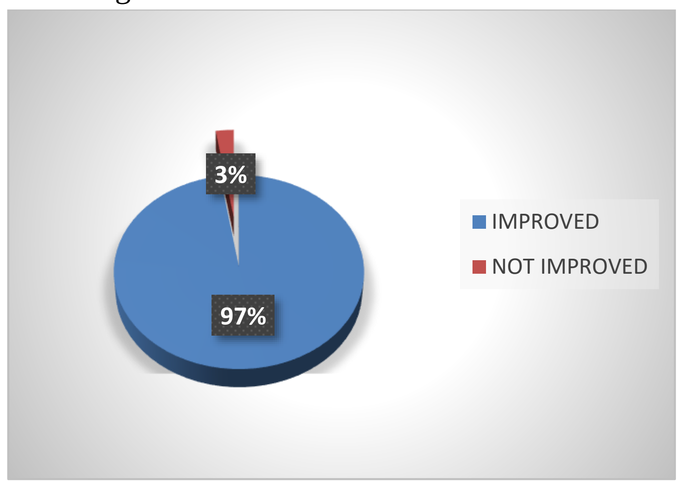
Source: Author, 2019

4.2.4 Children Education

The findings on children education revealed that:

97% of the respondents had their Education for Children improved after accessing MFI Loans
While 3% had their Education for Children unimproved even after accessing MFI Loans.

As expressed in Figure 4.4
Figure 4.4: Children Education Improvement After accessing MFI Loans



Source: Author, 2019

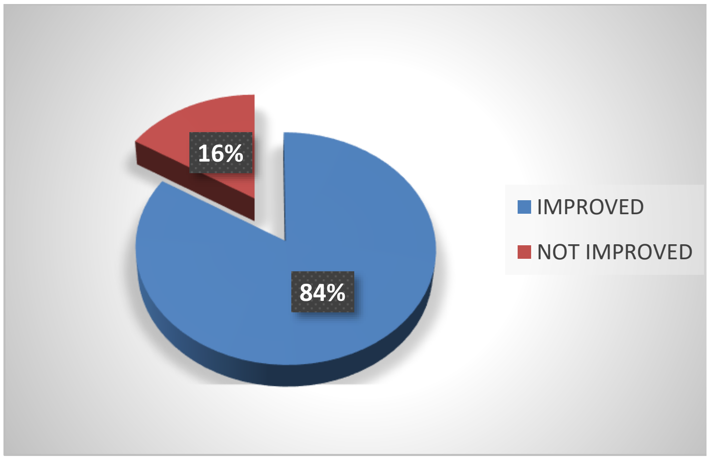
4.2.5 Source of Water

The findings on source of water revealed that:

84% of the respondents had their Source of Water improved after accessing MFI Loans.
While 16% had their Source of Water unimproved even after accessing MFI Loans.
As expressed in Figure 4.5

ISSN: 3471-7102, ISBN: 978-9982-70-318-5

Figure 4.5



Source: Author, 2019

Focus Group Discussions:

Participants pointed out that some MFI staff lack professional skills and truthfulness in the way they handle matters when it comes to advising their clients. They complained that in most cases clients are not given full information during the time of accessing loans but are only informed certain conditions during the repayment period which they felt to be very unfortunate indeed.

Another matter which was brought to light during discussions was the way defaulting clients are handled. The groups expressed fear on this matter due to the fact that their colleagues who defaulted at certain instances ended up in courts and in worse circumstances in prisons while others lost their properties through the action of court bailiffs.

Another issue which came out strongly was on training. Participants bemoaned in the way they the loans are mostly given out without due care whether the client has proper business plans or not which results mainly in failing to pay back the loans. Such clients consume the loans instead of putting or investing the same amount into business.

CHAPTER5: DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

Thomas (2010) postulated that the purpose of the discussion is to interpret and describe the significance of your findings in light of what was already known about the research problem being investigated and to explain any new understanding or insights that emerged as a result of your study of the problem. Thomas further stated that the conclusion is intended to help the reader understand why your research should matter to them after they have finished reading the paper. A conclusion is not merely a summary of the main topics covered or a re-statement of your research problem, but a synthesis of key points and, if applicable, where you recommend new areas for future research. For most college-level research papers, one or two well-developed paragraphs are sufficient for a conclusion, although in some cases, three or more paragraphs may be required.

5.2 Discussions

Participants' perception towards the role of MFIs on poverty reduction

The findings of the study revealed that:

- Microfinance Institution (MFI) Loans consumers held almost similar views on the Loans as most of them claimed that the loans made them improve their living standards in terms of children education, shelter, healthy and savings.
- However, a minority group confessed that the Microfinance Institutions (MFI) loans made them even worse economically than before the while part of this minority group disclosed that their economic status had not improved nor worsen.
- However, it was further discovered that some

of them lacked proper entrepreneurial knowledge and skills which were essential to their capability of succeeding in their undertakings.

- As the researcher was interacting with groups through group discussions, it came to light that most participants lacked basic accounting and pricing skills. They could not notice whether they were making profit or not until they ended up consuming part of their capital.

5.3 Conclusion

The conclusion of the study shows clearly that MFIs has a crucial role to play in poverty reduction amongst the informal sectors. Based on the fact that majority of the participants has benefited positively from MFI Loans, it is terefore concluded that MFIs plays a postive role in poverty reduction.

5.4 Recommendation

The researcher recommended the following:

i. MFIs should come up with a deliberate policy of educating clients who want to access loans so as to maximize the chances of succeeding in business.
ii. MFIs should come up with fair and reasonable interest rates so as not to over-burden the borrowers.
iii. MFIs should train their staff for them to deliver services professionally.
iv. Local authorities and Institutions to come up with advisory committee situated within the reach of SMEs and individuals wanting to set up businesses.
v. Bank of Zambia should intensify in regulating MFIs so as to ensure that the interest rates are within reach by the poor.

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