

An Investigation on The Impact of Microfinance Institutions on Teachers in Zambia

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Lister Mudenda, Dr. Serah Mbetwa

Information and Communication University, School of Business, Zambia Research and Development Centre (ZRDC) Zambia

Abstract

Microfinance has become very important in global poverty reduction debates. The popular assumption is that enabling poor households access to credit helps them begin micro entrepreneurship which would enable them improve their incomes and eventually escape poverty. Evidence from research so far has been scanty, and many results have been highly contested. The role of microfinance in poverty alleviation is subsequently being underrated by not assessing the wider impacts of microfinance interventions even though positive impacts are clearly taking place to both teachers and households.

The objective of the study was to analyse the impact of microfinance institutions on teachers in Luanshya district of Zambia.

This paper adopted Random sampling technique through which ninety Luanshya based teachers who had access to loans from microfinance institutions were selected from various schools for the study. However, even those who had never gotten any loan were selected so as to achieve the purpose of the research. Questionnaires and interview guide were used to collect both primary and secondary data for the study. To analyse the data collected presentation by descriptive statistics such as pie charts and graphs using excel software programme was used.

The study found that the loans from microfinance institutions have both negative and positive impact on teachers which include; high interest rate, inadequate loan sizes, poor appraisal, low salaries, misuse of loans, lack of monitoring, and improper client/teacher selection. The findings positively showed that utilization of microfinance loans contributed to improved health care and better education, empowerment of teachers, reduction of poverty levels, creation of employment and earning of extra income, improved total household consumption, provision of start-up capital for businesses and enabled teachers to construct their own houses and to send their children to good schools. Measures to help teachers by the government were found to include training before and after loan disbursement, reasonable interest rate, increasing the salaries, monitoring of loan usage, disbursement to be according to one's salary scale and proper loan appraisal as per attached Public Service Pension Scheme schedule.

It was recommended among other things that Microfinance institutions should have clear and effective credit policies and procedures which must be regularly reviewed and that interest needed further reduction.

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It was concluded that the government in conjunction with the Bank of Zambia should from time to time monitor and supervise the operations of MFIs so as to ensure safety of teacher's deposits and customers' confidence as well reviewing teacher's salaries regularly. It was further concluded that any lending institution must be approved by the Bank of Zambia in order to start operating.

Keywords: Microfinance Institutions ,impact, Loans, teachers.

1. Introduction: Background of the Study

The study is divided into five chapters. Chapter one gives the background information of the problem and the objectives of the study including questions. Chapter two looks at the literature review of the study at global, regional and Zambia perspective. Research methodology is found in chapter three. Chapter four covers presentation of research findings and discussions of the study while chapter five gives conclusions and recommendation/implications.

Although microfinance institutions emerged in the past little was known about their existence and purpose. Robinson, (2001) ⁽¹⁴⁾, gives a general perspective that Microfinance is the provision of financial services to low-income poor and very poor self-employed people. However, economic reforms which included the liberalisation of the financial sector undertaken in the early 1990's as well as the failure of state owned financial institutions led to a financial sector that focused on meeting the needs of the corporate sector and working-class elite. This led to the increase in the number of microfinance institutions (MFIs) operating in the financial sector. These MFIs were established to fill the gap that had been created with respect to the provision of financial services to low income households and the poor. This development led to calls by politicians, regulators and MFIs through the Association for Microfinance Institutions of Zambia (AMIZ) to be regulated and supervised as part of the financial sector.

The financial services among others include savings, credit and other financial services such as insurance and payment services. Zambia Institute of Bankers,

(2003) ⁽¹⁹⁾ broadens the purpose of Microfinance that it is the attempt to improve access to small deposits and small loans for poor households neglected by banks. Household Welfare according to Naidoo S, (2002) ⁽¹²⁾, is referred to as a set of programs designed to meet the socio-economic indicators of a given group of people living in the same compound with a common source of income. In a nutshell however, 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 to make ends meet.

Zambia Institute of Bankers, (2003), ⁽¹⁹⁾ reveals that the modern micro finance industry in Zambia is an emerging industry with the oldest micro finance institution (MFI) dating back to the liberalization of the financial services industry in 1992/93. The majority of the Microfinance Institution

(MFIs) have been established in the last 5-8 years as Non- Governmental Organisations (NGOs), so client coverage remained low. However, most of these MFIs are now transforming their legal structures to companies limited by guarantee. Today, there is an interesting blend of private sector for profit firms and nonprofit, Non-Governmental Organisations (NGOs). At least thirty-five (35) organisations are either delivering or preparing to provide microfinance services according to the results of the Bank of Zambia 1999 survey (BoZ, 2004a; BoZ, 1999) ⁽³⁾. Microfinance Institutions seek to create institutions that deliver financial services to the poor, who are

continuously ignored by the formal banking sector.

However, AMIZ, (2004)⁽²⁾ raises concern that out of the total estimate of approximately 10,000 MFIs in the world, only four per cent which is about 30 million people reach potential clients. The World Bank, (2004)⁽¹⁵⁾, gives evidence of 2,931 microcredit institutions data reported reaching over 80 million clients. The data on the sector has accepted that a wide variety of implementation methods are employed by different MFIs. The Bank Of Zambia, (2012)⁽³⁾ has been singled out having identified fourteen different microfinance models.

Robinson, (2001:54)⁽¹⁴⁾ brings to light that the 1990s saw accelerated growth in the number of microfinance institutions created with increased emphasis on reaching scale. According to Rutherford, (2000)⁽¹⁷⁾, this period was referred as “the microfinance decade” which had by then turned into an industry. 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) as it became clear that the poor had a demand for these other services as well AMIZ, (2005)⁽²⁾. Robinson (2001)⁽¹⁴⁾ further singled out nine traditional features of microfinance including; Small transactions and minimum balances (whether loans, savings or insurance), Loans for entrepreneurial activities, Collateral-free loans Group lending, Targeting poor clients, targeting all clients, Simple application processes, Provision of services in underserved communities and Market-level interest rates. Games D, (2004)⁽⁶⁾ concludes that these features may not be exhibited by all MFIs since they differ from country to country or from sub-region to sub-region. However, the features of targeting the poor and small

transactions are universal among all Microfinance Institutions.

In his study, Mthetwa V.C., (2004)⁽¹¹⁾ clarifies that the functions of microfinance in the provision of credit are likened to an implicitly or explicitly contract between lender and borrower. He further states that standard formal, Western-style legal systems in advanced countries rely on “external enforcement,” that is on an established third-party authority in order to enforce explicit contracts. The institutional innovation of microfinance lies in its ability to induce widespread entry into the lending contract and compliance with its terms (that is high repayment rates) by “informal” means. The implicit contract entails no collateral requirement and no formal legal contract. It is argued that the enforcement mechanism is neither external nor associated with one variant or another of joint liability, but is a result of what is described as “pro-social disposition”.

Having established the existence of both private and public Microfinance institutions in Zambia, the researcher felt that there was need to examine how microfinance loans given out have impacted on the welfare of teachers based in Luanshya District.

Robinson, (2001)⁽¹⁴⁾ brings to light that the Association of Microfinance Institutions of Zambia was formed in 1998 and was preceded by the Action Research programme which was introduced to Zambia by the World Bank in 1996. Microfinance Institutions (MFIs) are organizations which were originally set up in order to help finance those small scale micro-enterprises and local economic activities which were largely excluded from formal finance and mainstream banking practice. AMIZ, (2004)⁽²⁾, brings

to light that there are significant disparities in the level of development and performance across different countries. The Development Zambia, (2004) ⁽⁵⁾ emphasise that there are many stories of the transformative effect of microfinance on individual borrowers but until recently there has been surprisingly little rigorous research that attempts to isolate the impact of microfinance from other factors or to identify how different approaches to microfinance change outcomes.

However, the Zambia Institute of Bankers, (2003) ⁽⁹⁾ report clarifies that a personal loan is a form of debt given to an individual by a financial institution without provision of collateral or security by the borrower. The main difference between this type of loan and other forms of credit given by commercial bank is that the source of repayment for the loans is mainly from the salary of the borrower. The report further states that any form of debt whose source of repayment does not come from the asset purchased but from wages or salary of the individual borrower is called a personal loan.

In the year 2013 The BOZ (2012) ⁽³⁾ announced the introduction of the Public Service Scheme which meant to benefit public workers faced with various financial challenges. The Scheme grants loans at 5% interest rate to people with evidence/proof of; a regular income upon production of; two latest original payslips, an introductory letter from the District Education Board Secretary (DEBS); a current (latest two months) bank statement and a copy of the Green National Registration Card. The findings indicate that the most prominent consumers of

microfinance loans are teachers who access them from both private and public institutions. The Public Service Pension Fund Board in Lusaka provides a tabulated loan repayment schedule and loan entitlements (attached) which acts as a guide to borrowers.

1.2 1.1 Statement of the Problem

2. It is sad to note that despite the government's commitment to eradicate borrowing from financial institutions among public servants through the introduction of Microfinance (PSPFB), the findings revealed that borrowing levels among civil servants (teachers) have continued increasing. This has been attributed to high inflation rate in the economy. There is a general assumption that access to loans will improve household welfare with reference to consumption levels and better living standards of borrowers. However, the main obstacle in determining the effect of loans on household welfare of teachers is in establishing whether the improvement is better compared to those teachers that did not take up these loans. The problem is that microfinance sector in Zambia is not well supported by donors and investors. However, the Bank of Zambia Report, (2012) ⁽³⁾ points out that there is limited opportunities for investment. Almost none of the portfolios of the international microfinance investment funds have exposure to Zambia. The World Bank, (2009) ⁽¹⁵⁾, points out that in the Sub-Saharan Africa microfinance is not yet widespread and most low-income earners including many of the poor cannot access financial services while poverty is officially widespread and acute. Therefore, this research was designed to investigate the impact of microfinance institutions on teachers in selected primary and secondary schools on the Copperbelt Province in Luanshya District.

3. 1.2 Purpose of the Study

4. The purpose of the study was to investigate and establish the impact of microfinance institutions on teachers in Primary and Secondary schools in Luanshya District on the Copperbelt Province.

5. 1.3 Objectives of the Study

6. The objectives of this study are:
7. **AIM:** To establish the challenges that affect teacher's welfare in Primary and Secondary schools.

Specific Objectives

1. To examine the impact of microfinance loan on teachers
2. To ascertain whether microfinance loans had increased teachers debts/borrowing.
3. To establish factors leading to teacher's borrowing from microfinance institutions

1.4 Research Questions

1. What is the impact of Microfinance institutions on teachers in Luanshya?
2. How has microfinance affected the teacher's system of borrowing?
3. What are the factors leading to teacher's borrowing from microfinance institutions

1.5 Significance of the study

The study was important because it would assist the government to assess the challenges faced by teachers in both primary and secondary schools. In addition, the study will provide valuable information to government and other interested parties like the NGOs, other financial institutions to find better ways of helping borrowers and lending institutions. In addition, the study was important because the findings would provide information that would be essential to a number of stakeholders such as the teachers, Accountants, entrepreneurs, businessmen, economists, lending institutions both public and private to initiate measures that will help implement control measures as well as offer disbursement of loans at reasonable rates that will not disadvantage both parties. The research will further offer some insights to other researchers wishing to engage in further studies

and contribute to the improvement and motivation in the welfare and quality of teachers.

1.6 Limitation of the study

In this study, the researcher limited her study to Luanshya urban area in the townships of Roan, Mikomfwa, Kamirenda and Town area were chosen due to limited time and resources in which to carry out the research. The population of the study is made up of teachers and administrators (head teachers).

The choice of Luanshya district did not, however, make other districts less important, but it was due to appropriateness as a result of; easy transport, availability of communication network facilities, lack of enough funds to go to other towns and accommodation constraints.

1.7 Scope of the Study

This research paper examined the impact of microfinance institution loans in selected primary and secondary schools on the Copperbelt Province of Zambia, Luanshya and gave conclusion and recommendations.

2.0 Literature Review

This chapter summarises the literature that is already in existence regarding the impact of microfinance institutions on teachers in primary and secondary schools and their challenges. The chapter presents an overview of previous work on related topics that provide the necessary background for the purpose of this research.

2.1 Global Perspective

The study of microfinance institutions is globally looked at a wider angle. The practice draws on innovations in credit assessment and provision to effectively serve a segment of the population largely ignored by the formal financial systems across the world. The early emphasis on access to credit has widened to include savings, insurance, pensions and other financial services. According to Oxford University, (1997)⁽¹⁸⁾ Since Professor Yunus handed out the first few dollars to a group of villagers in 1970, the Grameen Bank has grown to serve 7.01 million people in 75,950 villages disbursing a total amount of Taka 314.48 billion (US\$ 6.07 billion). Across the world, nearly 130 million people benefit from the services of 10,000 MFIs.

Microfinance is an amazingly simple approach that has been Proven to empower very poor people around the world to pull themselves out of poverty as viewed by Robinson (2001)⁽¹⁴⁾. According to him microfinance loans are potential because each loan is usually repaid within six months to a year. He felt that by doing so the money is recycled as another loan, thus multiplying the value of each dollar/kwacha in defeating global poverty, and changing lives of communities. Therefore, makes a conclusion that Microfinance helps the poorest people to work their way out of poverty for good. Robinson (2001) and Otero (1999)⁽¹⁴⁾ bring to light that Microcredit and microfinance are new terms in the field of development because they were first prominent in the 1970s.

They noted that 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 losses and an inability to reach poor rural households. They point out that 1980s is the historical year when microfinance institutions such as the Grameen and BRI 2 begun to provide small loans and savings services profitably on a large scale. They were able to provide these services because they were commercially funded hence fully sustainable, and could attain wide outreach to clients. The AMIZ, (2004)⁽²⁾ reveals that this was the time that the term "microcredit" came to prominence in development.

Theories show that the concept of microfinance is not new because the Microloan foundation, (2005) report clearly states that the most traditional way of lending money exists in developing countries though they have a way of calling it but it includes the same idea as a loan. A number of savings and credit groups that have been in operation for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world.

Microfinance is now widely used in Africa, where among its pioneers is Care International UK, Barclays partner in developing financial services for the Katine project. The AMIZ, (2004)⁽²⁾ report provides evidence that Care International builds on the traditional village savings and loans associations (VSLAs) where a group saves a small amount each month and lends it out for immediate needs at high rates of interest.

However, the success of microfinance has come under increasing scrutiny as evidence is demanded by donors and governments for the claims made for it as an economic and a social tool. As long ago as 1997, the Asian-based development analyst Vijay Mahajan observed that inasmuch as improving

poor people's ability to withstand financial shocks is important, it did not make them less poor in itself. He suggested that if microfinance was to work as a tool of poverty alleviation, it needs to support business because according to him a majority of people would rather have a safe job than take on the risks of running a business.

Microfinance institutions exhibit different characteristics. Games, (2004) ⁽⁶⁾, identifies nine traditional features of microfinance which include: Small transactions and minimum balances (whether loans, savings or insurance); Loans for entrepreneurial activities; Collateral-free loans Group lending; Targeting poor clients; Targeting female clients; Simple application processes; Provision of services in underserved communities and Market-level interest rates. However, the researcher feels that the features of targeting the poor and small transactions appear to be universal among all MFIs.

However, The Zambia Institute of Bankers, (2003) ⁽¹⁹⁾ note that microfinance is not a remedy or solution for poverty alleviation as in some cases the poorest people have been made worse off by microfinance. This is backed by the recent announcement by The Bank of Zambia (BOZ) ⁽³⁾ of the closure and placement of three (3) Microfinancial Institutions (MFLs) under compulsory liquidation due to insolvency and these include; Commercial Leasing Zambia Limited, Genesis Finance Limited and CETZAM.

At regional level the study looked at how different countries viewed the microfinance perspective. According to (ILO, 2002) ⁽⁹⁾, claims that there are

also, significant disparities in the level of development and performance across different countries and identifies the following challenges; Inexperienced staff, questionable working practices, poor internal controls, substandard governance, inadequate management information

systems as being the main contributing factors for microfinance's underperformance. In Nigeria, a lack of competent and skilled 'human capital' has been identified as a particular cause of failing AMIZ, (2004) ⁽²⁾.

In support of United Nations programme of eradication of poverty, the Tanzanian Government has set a goal to reduce poverty by fifty per cent (50%) by 2010 and to eradicate poverty in 2025 according to the (Tanzania Poverty Eradication Strategy Paper, 2000). The paper also revealed that Low-income households constitute fifty-one per cent of Tanzania's population and that the success of microfinance to date is due to NGOs who have been offering loans to the poor.

In the case of Nigeria, the practice of microfinance is culturally rooted and dates back several centuries. According to (Gockel, 2002) ⁽⁷⁾, the traditional microfinance institutions provide access to credit for the rural and urban, low-income earners who constitute the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types, savings collectors and co-operative societies. In order to enhance the flow of financial services to Nigerian rural areas, Government has, in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor such as; the Rural Banking Programme, sectorial allocation of credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS) which were later merged in the year 2000.

However, it is interesting to note that in Nigeria many international investors have expressed interest in investing in the microfinance sector and hope to establish a microfinance framework that would provide an opportunity for them to finance the economic activities of low income groups and the poor.

2.2 The Zambia perspective

According to (Robinson, 2001)⁽¹⁴⁾ 'The 1990s Zambia saw an accelerated growth and increase in the number of microfinance institutions created on far reaching scale. Hence, Rutherford S., (2000) refers this period as "the microfinance decade". However, (MIX, 2005) observed that attention has changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions when it became clear that the poor had a demand for these other services. The Association of Microfinance Institutions of Zambia was formed in 1998 and its' formation was preceded by the Action Research programme which was introduced by the World Bank in (1996)⁽¹⁵⁾. During the period of September through December 1999, the Bank of Zambia with the Center for Institutional Reform and the Informal Sector (IRIS) of the University of Maryland conducted an intensive physical survey of microfinance operations throughout Zambia which was financed by the Swedish

International Development Agency (SIDA). According to the (BOZ, 1999)⁽³⁾ the key issues of the survey include; governance, lending, financing, equity, accounting, staffing, security and legal status. AMIZ, (2004)⁽²⁾ concludes that

most of these MFIs are now transforming their legal structures to companies limited by guarantee thus, today there is an interesting blend of private sector for-profit firms and nonprofit NGOs. Mthetwa v.c., (2004)⁽¹¹⁾ observed that the Microfinance sector in Zambia is unusually undeveloped, even by African standards in that it is young, small in size, fragmented, and has a limited outreach with Financial inclusion which is low at just 37.3% of adults when the demand for microfinance is high.

Subsequently, MFIs in Zambia did not benefit from the donor support that promoted microfinance in other countries because the donor support reaching Zambia since then had largely been targeted at HIV/Aids and debt reduction. The key challenges faced by MFIs in Zambia include; absence of an obvious market leader and thus, there is no one MFI to demonstrate good practices and spur others to improve their operations.

However, according to the revelation by the Daily Mail, of 9 August (2015), in an effort to boost microfinance institutions and to address the challenges in the public service sector, it was revealed that the Zambian government through the Public Service Pensions Fund Board registered a micro finance institution on the 14th September 2013 which was charged with the responsibility of disbursing affordable credit to public service workers at a lending rate not exceeding 5%. The institution was meant to trigger a downward movement in interest rates in response to some micro finance institutions that have formed cartels to manipulate the cost of banking services and credits thereby making abnormal profits.

The BOZ (2010)⁽³⁾, revealed the Current registered Microfinance institutions in Zambia which include; MBT, Micro bankers Trust, FINCA Zambia Ltd, Harnos

Micro-Enterprise Development, CETZAM Financial Services, Meanwood Financial Corporation, Agora Microfinance (AMZ), Empowerment Microfinance Institution, Micro Credit Foundation (MCF) Zambia, Pulse Financial Services, ECL of Zambia, Ecumenical Church Loan Fund (ECLOF), Women Finance Cooperative Zambia Ltd. (WFCZ), National Savings and Credit Bank (NSCB), Lutheran World Federation (LWF), African Housing Fund, Young Women Christian Association (WYCA), Evangelical Fellowship of Zambia, Salvation Army- Lusumpuko Women's Microcredit Fund, African Enterprise Trust.

In a nut shell the above examples of Microfinance prove that it has a beguiling simplicity and a record of success not just in promoting financial resilience but in achieving other social objectives – reaching the excluded, empowering women and developing the capacity of small groups of people to take control of their own lives. However, with the upcoming of the PSPFB it is hoped that the public service sector will benefit as this paper will endeavor to elaborate.

3. Methodology

The study undertook triangulation methodology approach where both qualitative and quantitative methods were used.

3.1 Research design

The study took the form of a case study. The case study strategy was chosen because it enabled the researcher to gain a detailed and comprehensive insight and understanding of an issue in its real context. This is justified by African Business, (2003)⁽¹⁾, who adds that 'this includes offering the researcher 'an insight into the real dynamics of situations and people.' The case study was used because it was manageable both in terms of time and cost. To collect data interviews, questionnaires

and group discussions were used. To obtain the information, the researcher had to establish good relationships with respondents by working in non-directive manner aimed at making respondents feel free to contribute.

3.2 Choice of Study Area

The choice of Luanshya District did not make other districts less important, but that it was appropriate due to the following factors: Easy transport, availability of communication network facilities with respondents, financial challenges to go to other towns including accommodation

3.3 Population of the study

Copperbelt Province is one of Zambia's ten provinces. Luanshya is one of the towns on the Copperbelt of Zambia with a total population of 153,117 in 2012 census and of this population 49 per cent are males while 51 per cent are females. Luanshya has the lowest annual percentage population growth (0.3) in Zambia. The population density is 188.8 people per square kilometres. The total number of schools in the district is 52 both Primary and Secondary with an estimated total number of 198 male teachers and 663 female teachers bringing the overall total number to 861 teachers spread across the district, (DEBS Planning Statistical Report, 2016). The population of this study is made up of teachers and heads and deputy head teachers in schools.

3.4 Sample population

The sample consisted of 90 respondents who included two head teachers and three deputy head teachers from Mpelembe (11), Ghandi (04), Dagama (16),

Mikomfwa (8), Fisenge (7), Buteko (3), Luanshya Boys (15), Luanshya Girls (3), Luanshya Central (9), Luanshya school for continuing (9). A total number of ninety questionnaires were distributed.

3.5 Sampling procedures

The purposive technique was used to select head teachers, deputy head teachers and teachers from various schools because they were useful for this study.

3.6 Instruments for data collection

The principal instruments for data collection was self-administered questionnaires using open ended and closed questions and group discussion. The questionnaires were used because they were friendly, save time and suitable when dealing with quantitative data. However,

inadequacies of using questionnaires were supplemented by employing interview schedules. The interviews unlike the questionnaires helped in collecting in-depth and comprehensive data from administrators.

3.7 Data Analysis

The researcher analysed data both qualitatively and quantitatively. Quantitative data was analysed using Microsoft excel software which helped in generating frequency tables and percentages and other descriptive statistics for easy interpretation and analysis. While qualitative data obtained from interviews was analysed using themes and content analysis. Further ethical issues were also taken into considerations by obtaining participants consent and permission from relevant school heads. A letter from ICU was obtained first to seek permission to carry out research from the DEBS office.

Additionally, the respondent's identities were kept anonymous as a way of enhancing confidentiality and privacy.

3.8 Triangulation

The researcher checked and validated data obtained using the different forms of data collection instruments which included data obtained using the questionnaires to that which was obtained through the interview schedules and from the focus group discussion in order to understand the phenomena better (Ibid, p.167) ⁽⁸⁾. triangulation helped to test the reliability of the results obtained by considering issues not only from one perspective rather by employing a wider choice of techniques to obtain the desired results. In this case, both qualitative and quantitative methods were used.

3.8 Theoretical framework

A theoretical framework guides the research, determines what things are going to be measured and what statistical relationships someone will look for. According to Proctor, M (1993)⁽¹⁴⁾, 'A theoretical framework is a collection of interrelated concepts, like a theory but not necessarily so well worked-out'. There is a gap that exists between the rich and the poor people that existed when time came to upgrade themselves. The gap that exists in this study suggests that the rural teachers fail to upgrade themselves because they do not have access to loans offered by microfinance institutions.

4.0 Presentation Of Findings and discussions

The previous chapter presented the methodology that was used in the study. This chapter presents the background characteristics of the respondents and further presents the findings of the study on the impact of microfinance institutions on teachers in selected schools in Luanshya District addressing the attitude of teachers towards microfinance

institutions and the measures to be undertaken in order to motivate teachers

Respondent's background characteristics

Table 4.1.1. Distribution of respondents by Institution

| Institution | Percentage |
|----------------------------|------------|
| Luanshya Skills | 10% |
| Fisenge Secondary | 8% |
| Luanshya Central Secondary | 10% |
| Ghandi Primary School | 4% |
| Buteko Primary School | 3% |
| Dagama Secondary school | 18% |
| Luanshya Boys High School | 17% |
| Luanshya Girls High School | 3% |
| Mikomfwa Basic School | 9% |
| Mpelembe Secondary | 12% |
| Mujoku Private School | 6% |
| Total | 100% |

Source: Field data 2017

Table 4.1.1 above shows the institutions/schools where data respondents were drawn. It shows that ten per cent of the respondents (10%) were from Luanshya skills, eight per cent (8%) were from Fisenge secondary School, six per cent (6%) were from Mujoku Primary school, ten per cent (10%) respondents were from Luanshya Skills, twelve per cent (12) of the respondents were from Mpelelembe Secondary school, seventeen

per cent (17%) of the respondents were from Luanshya Boys High School, three per cent (3%) of the respondents were from Luanshya Girls Secondary school, nine per cent (9%) of the respondents were from Mikomfwa Secondary School, another three per cent (3%) of the respondents were from Buteko Primary school, eighteen per cent (18%) of the respondents were from Dagama Primary school, ten per cent (10%) of the respondents were from Luanshya Central High school while four per cent (4%) of the respondents were from Ghandi Primary School.

Following the researched data, it is clear that out of the total number of ninety (90) respondents 49(53%) were female while 41(47%) were male. Therefore there were more female participants than male although the sampling was generally random for all the participants except for administrators who were selected purposively as a result of the position they held. The other reason for having more female respondents could be that there are more female teachers in Luanshya district, according to statistics from DEBS/Planning office.

Following the analysis of the length of service of the respondents, the study revealed that the length of service ranges between less than five and above twenty five years of service broken down as follows: respondents who were in service for five years and below represented 15% of the total sample size, those between five and ten years represented 29% of the sample size, those between ten and twenty years represented 33% while those who served for twenty years and above represented 23% of the sample size.

Therefore, the study shows that those between ten and twenty years of service represented the highest percentage figure.

The study further analysed respondents by their basic salaries per month. The study revealed that those who got a salary ranging between K1000 and K2000 represented 5%6%), and those who got between K2500 and K3500 represented 20(22%), while 40(28%) and those who got a salary of K5000 and above represented 25(44%) of the total sample size. Therefore, the study shows that those who get K5000 and above basic salary were more while those who get a salary ranging between K1000 and K2000 were few.

Business/Loan characteristics

Table 4.1.2 Shows the distribution of lending institutions

| Category | Responses | Percentage |
|--------------|-----------|------------|
| Bank | 41 | 47 |
| Microfinance | 41 | 47 |
| Other | 5 | 6 |

Source: Field data; 2017

Following the results of the study tabulated

| Category | Response | Percentage |
|-------------------------------|----------|------------|
| Low salary | 51 | 56 |
| Net is less than Gross salary | 6 | 7 |
| Not Upgraded | 9 | 10 |
| Any Other | 24 | 27 |
| Total | 90 | 100 |

in figure 4.1.2, 41(47%) of the respondents obtained loans from the Banks and Microfinance institutions while 5(6%) got loans from other lending institutions. Therefore, the study shows that a large number of respondents get loans an impression/indication that may be their salaries are not enough (low). The study

also revealed that some respondents obtain loans from more than one lending institution including unregistered institutions such as IZWE, Get Bucks and Unit Finance.

The study pointed out that 13(14%) of the respondents got loans ranging between 10000 and below while 49 (52%) are those who got between 10000 and 50000 loan amounts. 4% of the respondents have never gotten any loan while 4% got loans from other lending institutions as they are not aware of the PSPFB loan scheme.

In regard to loan interest rate being deducted per month, the study revealed that 7 % are being charged between 5% and 20% interest rate per month while 27% of the respondents' interest rate lie between 5% and 20%. A 62% number of respondents have 20% and above interest rate percentage being deducted from their monthly salaries. Therefore the study concludes that a high percentage of interest rate of 20% and above is deducted monthly from those who got loans.

Impact of Microfinance on Teachers

Table 4.1.3 Respondents views for obtaining loans

Source: Field Data, 2017

Table 4.1.3 above shows that 51 (56%) of the respondents got some loans due to low salaries while 6(7%) got loans due to the net salary which is less than the gross salary. 10% of the respondents got loans because they are not yet upgraded while 27% have various

reasons for getting loans other than the above. Therefore, from the data collected above there is overwhelming evidence that respondents got because the salary is low. However, from the findings above evidence showed the highest figure of 44% representing those who get a salary which is above K5000 per month. Furthermore, other reasons for getting a low salary when the basic is high could be that the respondents might have obtained loans from more than two lending institutions. The researcher further found out from respondents who were in favour of the public service policies regarding loan disbursement. The study revealed that 41 (46%) of the respondents were in favour of the current PSPFB pension scheme while 46(51%) were not in favour of the scheme and 3(3%) were not aware of its existence. Therefore, various reasons against and in favour of the PSPFB loan scheme include: The reasons for being in favour of the scheme include: it helps to do other projects such as building and farming, business, sending children to school, upgrading themselves by doing some advanced studies such as Degree and Masters. The reasons for being not in favour include: the interest rate is too high, it takes long to obtain the loan especially in case of emergencies. Others, however, felt that people must be sensitized on the procedures needed in order to obtain a loan.

5. Conclusion and Recommendation

The study pointed out a number of perceived impacts of

Microfinance institutions on teachers including:

The introduction of microfinance institutions is a good way of ensuring that teachers are not destitute by empowering them with loans.

However, the demerits rate is high. This is mainly due to the fact that the interest rate is too high. Some teachers do not put the loans to good use ending up borrowing from other private/unregistered lending institutions such as Izwe, Get Bucks , Unit Finance just to mention a few as revealed in the study.

On the other hand, the introduction of microfinance institution such (PSBS) has benefitted a number of teachers because 52% of the sample population as seen from the data collected have either built houses, sent their children to school, upgraded themselves, bought cars and some have bought farms and are able to grow and sell some crops.

Generally, it has been observed that MFIs have changed some of the teachers' welfare positively. Microfinance clients have increased their income in such a way that they are able to send their children to expensive schools, build houses and improved on their educational status. The respondents expressed concern that the government does not consider increasing their salaries in view of the rising economic demands.

However, based on the findings the following recommendations emerged from the study:

a) The government should support Microfinance institutions which deal with teachers because by so doing these institutions will be in a better position to assist more teachers and help develop and empower them economically in the process.

- b) The PSFB should conduct awareness campaigns which will help all the teachers make better use of loans and in the process encourage more teachers to become entrepreneurs and hence empower them economically.
- c) The microfinance institutions must be monitored in their operations by the bank of Zambia being the biggest lending institution to ensure that there is uniformity in the interest rate charged on loans’.
- d) Teachers’ salaries must be increased regularly to meet the economic demands.

According to the findings of the study the loans offered by microfinance institutions are very helpful to teachers because they help them economically in terms of building houses, paying for their children’s education as well as for themselves and others have become entrepreneurs.

IMPLICATIONS OF THE FINDINGS:

It was revealed from the study that the interest rates that microfinance institutions deduct makes loans more expensive. Higher interest rates reduce capital required to do any business. When interest rates are high it means that fewer people and businesses can afford to borrow. It also lowers the amount of credit available to fund other borrowers (slowing borrowing demand). At the same time it encourages more people to save (if they can) because they receive more on their savings rate. This reduction in liquidity usually slows the economy down. It was revealed that some teachers opt not to get any loan at all for fear that they would add to the existing debt problem.

RECOMMENDATIONS

The researcher recommends that further research on the role played by microfinance institutions in financing teachers. This recommendation is based on the fact that this study centred on the moderate sample size of teachers. Research can also be conducted on private microfinance institutions and their impact on teachers. The researcher further recommended the following:

- a) The government should support Microfinance institutions which deal with teachers because by so doing these institutions will be in a better position to assist more teachers and help develop and empower them economically in the process.
- b) The PSFB should conduct awareness campaigns which will help all the teachers make better use of loans and in the process encourage more teachers to become entrepreneurs and hence empower them economically.
- c) The microfinance institutions must be monitored in their operations by the bank of Zambia being the biggest lending institution to ensure that there is uniformity in the interest rate charged on loans’.
- d) Teacher’s salaries must be increased regularly in order to meet the economic demands.

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