

**MIDLANDS STATE UNIVERSITY**



**FACULTY OF ARTS**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**INTERNAL SAVINGS AND LENDING SCHEME FOR ENSURING  
SUSTAINABLE AGRICULTURAL DEVELOPMENT IN RURAL  
AREAS; A CASE OF CHIMANIMANI DISTRICT**

**BY**

**EXAVIER TAKUDZWA HUCHU**

**(R115424B)**

*This Dissertation Is Submitted In Partial Fulfillment of Bachelor of Arts Honours Degree  
in Development Studies*

**MAY 2015**

## Release Form

Name of Author

Exavier Huchu (R115424B)

Title of Project

**Internal Savings and Lending Scheme  
For ensuring sustainable Agricultural  
Development in rural households. A case of  
Chimanimani District**

Degree Programme

B.A Honours in Development Studies

Permission is hereby accorded to Midlands State University to reproduce or publish this work if ever the institution deems it fit and intellectually viable to do so. No reservations in whatsoever are held by the author against the Department of Development Studies in particular and the institution at large that can bar them to treat this research accordingly.

**Signed**.....

**Date**.....

**Permanent Address**

4522 Cabs Katanga

Norton

**Contact**

+263 777 470 266

## Approval Form

The undersigned certify that they have supervised the student, read and made the recommendation to the Midlands State University for acceptance of the research project entitled: **Internal Savings and Lending Schemes for ensuring sustainable Agricultural Development in Rural areas; A case of Chimanimani District .**

Submitted by **Exavier Takudzwa Huchu** in partial fulfilment of the requirements of Bachelor of Arts Honours Degree in Development Studies.

Signature.....Date.....

**Supervisor**

Signature .....Date.....

**Department Chairperson**

Signature .....Date.....

**External Examiner**

## **Dedication**

This dissertation is dedicated to my extremely supportive family.

## **Acknowledgements**

My foremost gratitude goes to our Almighty God for His guidance and protection throughout my academic endeavour. I also wish to express my special gratitude to the indefatigable and forbearing Dr Matunhu my supervisor, whose unwavering confidence in me and his excellent supervision has made the completion of this dissertation possible. His concern for my academic as well as personal wellbeing is what has sustained me through this arduous exercise.

I am also highly indebted to express my gratitude to Restless Development staff and clients for their demonstrative cooperation by providing all pertinent and necessary information during my field work for my study.

I wish to acknowledge the contributions of these special people to my academic career: Vincent, Maxwell, Brilliant and Genius. I also acknowledge the critical and insightful contributions of my research colleagues to this dissertation.

I say thanks to my loving mother, Munyaradzi, Victor Gweshe and Tinotenda for their prayers and unwavering support during this academic endeavour.

Last but not least, I want to thank Brilliant Banda for the spiritual and moral support that I needed just when I felt like giving up to the relentless challenges and pressures that exerted me during my dissertation compilation.

## **Abstract**

*Internal Savings and Lending Schemes has become very important in global poverty reduction. The popular hypothesis is that by enabling rural poor households access to loans and savings enables poor households begin micro enterprises which would help them improve their income generation and escape poverty eventually. The chief research objective of this dissertation was to examine the role played by internal savings and lending schemes in rural areas, as a way of ensuring sustainable Agricultural development. The study is an investigational case of Chimanimani District where participants in internal savings and lending schemes was studied acquiring a rich pooled data for analysis. The results indicate a positive and significant impact of internal savings and lending schemes on household agriculture, productivity, durable assets acquisition and food security. On the other hand the research emphasizes that there is need to expand information dissemination channel, use of holistic and coordinated strategy as part of recommendations.*

## Abbreviations and Acronyms

<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>FGD</b>	Focused Group Discussion
<b>FO</b>	Field Officer
<b>ISALS</b>	Internal Savings and Lending Schemes
<b>HIV</b>	Human Immunodeficiency Virus
<b>IGP</b>	Income Generating Project
<b>IMPACT</b>	Integrated Management of Paedric AIDS, Care and Treatment
<b>IFAD</b>	International Fund for Agricultural Development
<b>JI</b>	Joint Initiative
<b>KI</b>	Kupfuma Ishungu
<b>MDG</b>	Millennium Development Goals
<b>MFI</b>	Micro Finance Institutions
<b>NGO</b>	Non-Governmental Organisation
<b>RD</b>	Restless Development
<b>OSY</b>	Out of School Youths

## Table of contents

<b>CONTENTS</b>	<b>PAGE</b>
<b>Release Form</b> .....	<b>i</b>
<b>Approval Form</b> .....	<b>ii</b>
<b>Dedication</b> .....	<b>iii</b>
<b>Acknowledgements</b> .....	<b>iv</b>
<b>Abstract</b> .....	<b>v</b>
<b>Table of contents</b> .....	<b>vii</b>
<b>List of figures</b> .....	<b>x</b>
<b>PROBLEM AND ITS SETTING</b> .....	<b>1</b>
1.1 Introduction.....	1
1.2 Background to the Study .....	1
1.3 Problem Statement.....	4
1.4 Objectives of the Study .....	5
1.5 Research Questions and Sub Questions.....	5
1.6 Assumptions .....	5
1.7 Delimitations of the Study.....	5
1.8 Limitations .....	6
1.9 Justification of the study .....	6
1.10 Theoretical framework.....	7
1.11 Summary .....	9
<b>Chapter 2</b> .....	<b>10</b>
<b>LITERATURE REVIEW</b> .....	<b>10</b>
2.1 Introduction.....	10
2.2 Conceptualization of Internal Savings and Lending Schemes .....	10
2.3 Micro lending institutions in Zimbabwe. ....	11



2.4 Government participation in ISALS.....	13
2.5 Impacts of Internal Savings and Lending Schemes on livelihoods.....	13
2.6 Impact of micro lending institutions.....	16
2.6.1 Household Welfare .....	17
2.6.2 Household Expenditure.....	18
2.6.3 Household Assets.....	18
2.7 Financial Performance .....	19
2.8 Internal Savings and Lending Schemes as a development tool.....	19
2.9 Social impacts of Internal Savings and Lending Schemes so far .....	21
2.10 Integration of ISALS with other projects .....	22
2.11 Summary .....	23
<b>Chapter 3.....</b>	<b>24</b>
<b>RESEARCH METHOD.....</b>	<b>24</b>
3.1 Introduction.....	24
3.2 Research Methodology .....	24
3.3 Target Population .....	25
3.4 Sampling Method .....	25
3.5 Research instruments .....	25
3.6 Summary .....	29
<b>DATA ANALYSIS, PRESENTATION AND DISCUSSIONS .....</b>	<b>31</b>
4.1Introduction .....	31
Fig 1: No of ISALS Groups under Chimanimani District in 9 Wards .....	31
Fig 2: Amotisation Chart .....	32
4.2 Actual Results and Discussions.....	32
4.3 Response rate to questionnaires.....	32
Fig 3: What households could not afford before joining ISALS schemes .....	33
Fig 4: Uses of funds borrowed from micro lending institutions.....	33

4.4 The role that ISALS are playing to ensure Agricultural development and an exit mechanism to dependency on Donor Aid .....	34
Fig 5: Source of funds for Agriculture .....	34
4.5 The effectiveness of ISALS in Resource Mobilization, Food Security and Living standards .....	36
Fig 6: Sources of funds for food security .....	36
Fig 7 Distributions of a Village Six Respondent by Possession of livestock .....	37
Fig 8: Response by Major Challenges within ISALS clubs.....	38
4.6 Summary .....	38
<b>Chapter 5.....</b>	<b>39</b>
<b>SUMMARY, RECOMMENDATIONS AND CONCLUSION .....</b>	<b>39</b>
5.1 Introduction.....	39
5.2 Summary .....	39
5.3 Conclusion .....	39
5.4 Recommendations .....	40
<b>REFERENCEES .....</b>	<b>42</b>
<b>APPENDIXES .....</b>	<b>45</b>
Appendix 1: Questionnaire for ISALS Clients .....	45
Appendix 2: Interview Guide.....	47
Appendix 3: Focus Group Discussion Questions .....	48

## List of figures

<b>FIGURE</b>	<b>TITLE</b>	<b>PAGE</b>
Fig 1	Number of ISALS groups in Chimanimani District	33
Fig 2	Amotisation Chart	34
Fig 3	What households could not afford before joining ISALS schemes	35
Fig 4	Uses of funds borrowed from micro lending institutions	35
Fig 5	Source of funds for Agriculture	36
Fig 6	Sources of funds for food security	38
Fig 3	Distribution by possession of Livestock	39
Fig 8	Response by Major Challenges within ISALS clubs	40

## **List of Tables**

<b>TABLE</b>	<b>TITLE</b>	<b>PAGE</b>
Table 1	Number of ISALS groups in Chimanimani District	33
Table 2	Amotisation Chart	34
Table 3	What households could not afford before joining ISALS schemes	35
Table 4	Uses of funds borrowed from micro lending institutions	35
Table 5	Source of funds for Agriculture	36
Table 6	Sources of funds for food security	38
Table 3	Distribution by possession of Livestock	39
Table 8	Response by Major Challenges within ISALS clubs	40

# Chapter 1

## **PROBLEM AND ITS SETTING**

### **1.1 Introduction**

This problem and its setting chapter is going to be looking at the background to the study of Internal Savings and Lending Schemes focusing mainly on why the study is relevant, shortly after that the researcher is going to shade light about the problem that made the researcher choose this topic for study in the statement of the problem. This chapter is also going to be dealing about the objectives of this research where the general aims of this study will be stated and these objectives are the ones that are going to shape the outcomes of the study. Immediately after the objectives, research questions are going to follow and these research question save almost the same purpose as objectives. Important assumptions will also be discussed in the problem and its setting chapter and these will be followed by delimitations and limitations to the research which are generally going to show the boundaries of the study and challenges the examiner has faced in carrying out the study and in brief how these challenges were overcame. Later on in the same chapter the researcher is going to justify the relevance and importance of the study of the ISALS phenomenon and the chapter is going to be concluded by looking at the theoretical framework where the sustainable development theory and its link to sustainable agricultural development will be discussed.

### **1.2 Background to the Study**

Chimanimani district is a peripheral rural community situated about 120 kilometers south west of Mutare. Rural livelihoods assessment report by ZimVac showed that Chimanimani district is inhabited by peasant farming communities who practice both crop cultivation and animal husbandry.<sup>1</sup> The fact that agricultural production is regarded as both desirable and a necessary element of human survival calls for most significant boosters for the agricultural sector in the district. Since time immemorial policy makers, non-governmental organizations and donors have been trying there best to establish viable financial systems in developing countries' rural communities including Chimanimani to meet the needs for domestic financial services and to boost they production. Despite much efforts very few institutions have been successful and they did so at very high cost and with great difficulty. However, there is one programme that succeeded to an appraisable degree. This programme happens to be Internal

---

<sup>1</sup> ZimVac, Rural livelihoods Assessment Report July 2011

Savings and Lending Schemes (ISALS). ISALS refers to financial services offered to individuals that are usually excluded from traditional financial systems because they lack collateral, verifiable credit history and steady employment. The aspect of ISALS allows individuals to access loans and save hence generating start-up capital for entrepreneurial projects.

The concept of ISALS has been used very often in development vocabulary recently. This may be because it has gained global acclaim as an essential driver to poverty reduction in many developing countries, thus according to Johnson and Rogaly.<sup>2</sup> Nevertheless, it ought to be understood that the concept of ISALS long existed before the in form of “Rounds” and was later restructured and transformed into Internal Savings and Lending Schemes. The term ISALS can be used interchangeably with microfinance which is literally comprised of two words micro and finance which literally means small credit. The concept of microfinance dates back to beyond the provision of small credit to the poor. Christen defines microfinance as the means of providing a variety of financial services to the poor and at the same time allowing them to save based on market-driven and commercial approaches.<sup>3</sup> This definition encompasses the provision of other financial services like money transfers, savings, remittances and payments among others. However, to date many microfinance practices still focus on micro-credit thus providing the poor with small credit with the hope of improving their labour productivity, and thereby leading to increment in household incomes.

ISALS, which stands as the main motive behind this study, is a concept that is targeted to improving the lives of the very poor in the society that is those who lack access to commercial bank loans and financial assistance because of lack of collateral. The ISAL Scheme is chiefly designed for micro entrepreneurs who have the desire to use their initiatives and resources in groupings in order to build their own capital.<sup>4</sup> Members self-select based on their interests to form savings groups and agree on a weekly, monthly or any episodic contribution per head towards the group fund.<sup>4</sup> By combining their savings, groups create a capital base for an internal loan fund. They agree on by-laws, a savings amount, interest rates and loan terms which is in most cases not formally written down to minimize

---

<sup>2</sup> Johnson S, Rogaly B, Microfinance and Poverty Reduction. Oxfam Poverty Guidelines.1997,pg16

<sup>3</sup> Christen R.P, Banking Services For The Poor; Managing For Financial Success An Expanded And Revised Guide Book For Microfinance Institutions Washington, DC, ACCION INTERNATIONAL, 1997

<sup>4</sup> Allen Hugh, Care International Village Savings and Lending Programme in Africa –Microfinance for the Rural Poor that works. Care International 2000, p17

expenses. Every member is required to contribute the agreed amount into the savings basket. One or more members borrow from the savings basket and is usually supposed to repay at the next meeting, with the agreed interest.<sup>5</sup> The interest and the regular savings contributions accumulate with each meeting until most or all members are able to borrow monthly. In some cases external ordinary people are allowed to borrow on condition that they can repay with the agreed interest.<sup>6</sup> Members agree on the length of their club's operating period. At the end, the accumulated amount is divided equitably among group or club members which can be consumed or reinvested in some other projects.

The ISALS as a strategy have been adopted by different NGOs operating especially in rural areas and has also partial coverage of some semi-urban settlements.<sup>7</sup> This is so because rural communities consist of households that are largely dependent on agriculture, and are desperate to improve their sources of capital and income. The ISALS concept plays an important role in building the capacity of vulnerable community members to mobilize and manage savings that can then be used to grant loans to purchase inputs for crop cultivation.<sup>8</sup> Vulnerable homes, including those affected by HIV and AIDS, suffer distress economically and need access to credit, financial services and savings. Vulnerable societies thus have the potential to mobilize financial resources for sustainable agricultural development through ISALS. According to International Fund for Agricultural Development (IFAD), the term sustainable is used in considering whether the institutions supported through projects and the benefits realized are maintained and continue after the end of the project.<sup>9</sup>

Many stakeholders are therefore engaged in efforts to make ISALS sustainable and available to many a poor households in the future. According to Murdoch, few recent innovations have held much hope for reducing poverty in developing countries.<sup>10</sup> Indeed microfinance is perceived as a crucial driving tool towards achieving the millennium development number

---

<sup>5</sup> *ibid*

<sup>6</sup> Cohen R et al, *Microfinance, Risk Management and Poverty*. Synthesis Report prepared for USAID, Management systems International, Washington, DC 2002, p43

<sup>7</sup> Moore P and Hobane, *Impact evaluation of Kupfuma Ishungu*, Restless Development Zimbabwe

<sup>8</sup> *ibid*

<sup>9</sup> IFAD, *Supervision and Implementation Support of Projects and Programmes Funded From IFAD Loans and Grants* Programme Management Department Rome

<sup>10</sup> Murdoch, *The microfinance Schism* World Development, 2000, p617

four goal to reduce extreme poverty and hunger by 2015<sup>11</sup>. Well, the 2015 deadline might have been missed but there is hope in the near future. According to Yunus, the success lies in the fact that ISALS helps in the creation of opportunities for entrepreneurship, which helps the poor to eliminate poverty and unemployment by fulfilling their creative potential<sup>12</sup>. It is perceived that if properly harnessed, ISALS would offer high returns to beneficiaries. Schreiner postulates that, microfinance initiatives can effectively address material poverty, the physical deprivation of goods, services, and the income to attain them, the benefit of which can extend beyond the household into the community<sup>13</sup>.

### **1.3 Problem Statement**

According to Morduch, few recent innovations have held much hope for ensuring sustainability and reducing poverty in developing countries<sup>14</sup>. Internal Savings and Lending Schemes has gained global appraisal as an important poverty reduction tool in many developing countries. However, casting aside the euphoria on Internal Savings and Lending Schemes, despite its implementation in Chimanimani District some households still lag behind, while others have progressed under the same initiative. Major challenges faced by these households in Chimanimani are associated with lack of support financially resulting from systematic flaws of rural financial markets which are seasonality of production, poverty and small transaction and limited opportunities for diversification.

These conditions have been worsened by general economic decline and lack of appreciation of the survivalist livelihood strategies in rural areas. Rural financial intermediation faces several short comings and systemic weaknesses based on the realities of rural financial markets. The dawn of savings schemes in Chimanimani has demonstrated potential for leveraging savings and credit for sustainable agricultural development. With all this in mind, the researcher found it necessary to explore the essence and impact of ISALS on sustainable agricultural development in Chimanimani District.

---

<sup>11</sup> Simanowitz A Ensuring Impact: Reaching the Poorest while Building Financially Self-Sufficient Institutions, and Showing Improvement in the Lives of the Poorest Women and Their Families. In S. Daley-Harris (Ed.), Pathways out of Poverty: Innovations in Microfinance for the Poorest Families. Bloomfield, Conn.: Kumarian Press 2002 pg14

<sup>12</sup> Yunus, Poverty Alleviation Is Economics Any Help? Lessons From The Greameen Bank Experience, Journal of International Affairs pg47

<sup>13</sup> Schreiner, Microfinance for the Poor? Development Centre Seminars. Paris: OECD and IFAD, 1997 pg34

<sup>14</sup> Murdoch, P The microfinance Schism World Development 2002, pg617



#### **1.4 Objectives of the Study**

1. The major research objective is to examine the role that ISALS is playing to ensure sustainable agricultural development in rural households.

#### **Sub-Objectives**

1. To examine how ISALS have constituted an exit strategy from donor dependency syndrome

2. To identify the impacts of ISALS in rural communities.

3. To trace the effectiveness of ISALS in resource mobilization.

#### **1.5 Research Questions and Sub Questions**

##### **Main research question**

1 .To what extent does ISALS ensure sustainable Agricultural development in Chimanimani District?

##### **Sub-Questions**

1. How far have ISALS helped mitigate dependency syndrome in the District?

2. What are the impacts of ISALS in Chimanimani District?

3. To what extent have ISALS ensured resource and inputs mobilization in Chimanimani?

#### **1.6 Assumptions**

1. The internal savings and lending scheme is really leading to Agricultural development.

2. There are changes that came as a result of this scheme compared to the past

3. The research will be useful to the stakeholders implementing development projects especially in rural communities.

4. Respondents will be honest in their responses.

#### **1.7 Delimitations of the Study**

- The research will only focus on Chimanimani District as the area of investigation because of its accessibility to the researcher.

- The research also focused only on ISALS groups that run its activities under Restless Development, an NGO that implements Income Generating Projects in the District under study.
- The research intended to examine the impacts of ISALS on Agricultural development and everything that is linked to agriculture one way or another.
- The study is constrained only to the impact of the scheme to rural areas.
- Lastly, the study did not include every ISALS member under Restless Development in Chimanimani but only a sample of less than twenty people was used.

### **1.8 Limitations**

- The researcher faced time constraints due to the hap hazard location of the villages where the data were to be collected.
- The researcher also had to go through a lot of protocols to be able to carry out a research due to political and cultural issues in the District.
- Data collection through questionnaires was time consuming due to the nature of the topic under study and also the literacy levels of the respondents. Most of the respondents who made up the sample found it difficult to read and write which made it difficult to adequately express themselves on Questionnaires. To deal with this challenge follow ups were made and respondents were able to explain clearly grey areas.
- The other problem was the fact that it was difficult to interview some women without consent of their husbands in some villages because of socio-cultural issues. To address this, the researcher had to interview some women in groupings and at their convenience.

### **1.9 Justification of the study**

The research is important not only to Chimanimani district but all other rural communities as a whole as it helps assess the significance of ISALS in agricultural development. Examining the role of ISALS is important since it raises attention to their significance to rural people who are otherwise excluded from conventional systems of finance for lack of collateral. The general consensus demonstrates that ISALS is inextricably linked to poverty reduction, particularly with regard to developing countries and also that it does not only aim at just providing services, it is also a development tool.

Contributing to the research gap is perhaps the most important justification for this study. The study of ISALS helps to fill a gap in the literature but also constitutes an ingredient for making ISALS effective as a development intervention in developing countries. The findings of this study have practical relevance in the microfinance industry. In other words, the findings of this research are expected to enhance ISALS relevance to sustainable development especially in the agricultural sector from which many African countries depend for income.

The research is also vital to local government, policy makers and NGOs that will carry out studies related to this one. It will be helpful to those organisations which seek information before implementing this method to alleviating rural poverty. This should enable a better understanding by grassroots participants, donors and the state of the ISALS processes and effects.

## **1.10 Theoretical framework**

### **1.10.1 The Sustainable Development Theory**

El-Solh postulates a theoretical proposition on the macro-level for supporting microfinance interventions, economic and environmental resources<sup>15</sup>. By enabling the establishment of fresh micro-enterprises, microfinance supports the effective use of environment and capital as factors of production and therefore backing economic growth and ultimately sustainable development. The Sustainable Development theory is quite relevant in this particular study as the study is looking at how small loans can be used to produce satisfactory returns from the environment. Sustainable development can generally be defined as access to basic needs in life or positive change of the current generation and also that change should also impact future generations positively without a compromise. Since it is generally believed that facilitating access to microfinance is likely to result in the acquisition of new skills and the upgrading of existing ones and thus improve on the capacity of the poor to generate income and improve their livelihoods therefore sustainable development. These ISALS schemes if well managed and accepted in communities have the potential to positively impact not only on this generation but also future generations. With this in mind, one can safely conclude that ISALS can lead to sustainable livelihoods. Hussein and Nelson define a livelihood as any

---

<sup>15</sup> El-Solh Microfinance and Rural Development: A long term perspective: Journal of microfinance, Vol. 7,1998 pg13

activity that supports a person's life. It can be a formal or informal activity or income generating activity<sup>16</sup>.

According to Hulme and Mosley, the proposition that capital investment and other financial services constitute key determinants of economic growth and income improvement continues to drive most sustainable development efforts including microfinance<sup>17</sup>. They cite a large number of researched data that indicates a strong and positive correlation between the share of investments in Gross Domestic Product and sustainable growth<sup>18</sup>. It is precisely this thinking that drives microfinance. It is assumed that like the positive relationship between financial investment and economic growth, financial investment among the poor through microfinance services like ISALS can lead to increased reinvestments of the poor and ultimately result in poverty reduction through agriculture development. El-Solh argues that microfinance cannot by itself be an income generating tool but should be perceived as an important input in the process of developing micro-enterprises<sup>19</sup>. Microfinance can give rural communities the ability and green light to develop they own income generating projects which is being done in Chimanmani District. Microfinance institutions are alleged as important because they fund small-scale enterprises which are fundamental to the private sector. The small scale enterprises are in turn perceived as an engine of growth for economies of developing countries that have moved from state-directed to market-oriented economies.

The researcher adopted the Sustainable Development theory because the world today is advocating for development that is environmental friendly. Also climate change is negatively impacting agriculture so much so, if there is to be any hope for a green economy it has to start in the agricultural sector where most Developing Countries depend for survival. The other factor is that ISALS has shown the ability to be able to satisfy the livelihood needs of this generation and if well implemented will also be impact the lives of rural future generations who will not be able to gather collateral to access formal loans

To sum up, among the theories that underlie the concept of microfinance it is the Sustainable development theory that stands out as most pivotal to this research. Participating in ISALS

---

<sup>16</sup> Hussein K and Nelson J, Sustainable livelihoods diversification IDS working paper 1998

<sup>17</sup> Hulme and Mosley P, Finance against Poverty, London, Routledge, 1996 pg40

<sup>18</sup> Ibid

<sup>19</sup> El-Solh, Microfinance and Rural Development: A long term perspective: Journal of microfinance, Vol. 7,1998 pg14

activities empowers poor people to invest in income generating projects that can sustainably change their lives for better. This can ultimately trickle down to food security, increased production, income generation, and allow high consumption<sup>20</sup>. These theories have not been without criticisms however. There are many concerns about how the theories play out in practice. This constitutes an area of investigation of this research.

### **1.11 Summary**

Chapter one which is the problem and its setting chapter started by introducing the chapter then went on to indicated the objectives of the study which are very important as there are the roots of the study and its guiding principles. The importance of the issue under study was discussed in the justification of the study where the researcher took time to highlight why this particular study is of relevance and whom will the study impact and why. Delimitations of the study made clear the boundaries of the research which are ISAL schemes being implemented by Restless Development in Chimanimani District. The theory guiding the research which is The Sustainable Development theory was discussed in the theoretical framework and its applicability to this study. The next chapter is going to review the literature related to this study examining the strength and shortcomings of previous scholars and the research will be focused on areas that has not been covered before.

---

<sup>20</sup> Meyer, R.L Microfinance, Poverty Alleviation, and Improving Food Security: Implications for India. In R. Lal, D. Hansen, N. Uphoff and S. Slack (Eds.), Food Security and Environmental Quality Security in the Developing World. Boca Raton, FL: Lewis Publishers. 2002

## Chapter 2

### LITERATURE REVIEW

#### 2.1 Introduction

The purpose of this review of literature is to clarify the research questions and to focus the research on the areas that have not been covered earlier or adequately addressed by previous studies. The literature review chapter will start by conceptualizing Internal Savings and Lending Schemes and later discuss its impact on livelihoods among other things. This literature review also aims to examine the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to ISALS. The researcher consulted journals, articles, sources from the internet and books so as to locate this study within relevant literature.

#### 2.2 Conceptualization of Internal Savings and Lending Schemes

Scholars have traced Internal Savings and lending schemes (microfinance), from different parts of the world in different time periods. Jon Westover states that the idea of ISALS started around 1976 in Bangladesh with Grameen Bank and the microfinance award winner Muhammad Yunus<sup>21</sup>. He states that the initiative was intended to help lift individuals, families, and communities from poverty through entrepreneurial projects, which will then presumably help individuals to generate income, build wealth, and exit poverty<sup>22</sup>. However, Westover seemed to view microfinance as a means to build wealth through some other projects, not necessarily agriculture, from which most less developed countries (LDCs) form the backbone of their development. He said nothing about ISALS boosting agricultural development of which we cannot separate development and agriculture in Africa. Agriculture contributes heavily to our GDP. This is why the researcher focused more on the link between microfinance, savings and agricultural development.

Internal Savings and Lending Schemes long existed though mostly in the shadows and was unseen by ordinary observers until the last fifty years when serious efforts globally have been made to formalize them as a strategy for development. In Zimbabwe, Care launched ISALS in 1998 after its Small Economic Activity Development (SEAD) sector recognised that lack

---

<sup>21</sup> Jon Westover, The Record of Microfinance, Electronic Journal of Sociology 2008 , pg33

<sup>22</sup> Ibid

of applicable financial services for the rural poor represented a major impediment to the creation, stability and growth of income generating projects and significantly limited agricultural production of smallholder farmers<sup>23</sup>. Coverage of these financial institutions was extremely limited and service delivery instruments were not well suited for the rural poor as both the collateral requirements and costs, monetary and non monetary, of accessing formal financial services were prohibitively high for clients in remote areas<sup>24</sup>.

### **2.3 Micro lending institutions in Zimbabwe.**

Raftopoulos and Lacoste (2001) and Bond (1998) narrate that the Zimbabwean microfinance dates back to 1963 when the Catholic Missionary initiated the Savings Development Movement (SDM). The organization focused on micro savings mobilization by rural women. The club's sustenance was based upon financial savings generated by club members. The Economic Structural Adjustment Program (ESAP) era (1991-1995) created an environment that had serious repercussions on the poor. ESAP, among other things called for financial liberalization. In a bid to support the mobilization of savings by the poor, the government established the National Association of Cooperative Savings and Credit Unions of Zimbabwe (NACSCUZ) in 1986. This was under the Ministry of Community Development and Women's Affairs. NACSCUZ's main aim was to provide technical support services to savings and credit cooperatives. Its other objectives were the provision of training, monitoring and evaluation of credit cooperatives. . According to Zimbabwe Human Development Report of 2011, 80% of Zimbabwean population is living below poverty datum line, unemployment rate is more than 80% and 70% of the population is rural based relying on rain fed agriculture. This means that low and irregular rainfall patterns results in crop failure for many households therefore needs a boost. The microfinance sector has been seen as a panacea to development for the rural "unbankable" poor. In Zimbabwe, the country has witnessed a huge growth of micro lending institutions, and savings and lending groups formulated in an attempt to curb poverty and underdevelopment.

According to ZAMFI (2013) The Zimbabwe Association of Microfinance Institutions (ZAMFI) is currently the sole association of microfinance institutions in Zimbabwe, formed in 1999 as a trust. The original goal was to provide a vehicle for structured learning and to

---

<sup>23</sup> Ben Fowler and David Panetta , Beyond Financial Services Improving Access to Basic Financial Services and Agricultural Input and Output Markets by Smallholder Farmers in Zimbabwe, 2011, pg13

<sup>24</sup> Ibid

coordinate efforts in addressing institutional and policy hurdles to the sustainable development of microfinance industry in Zimbabwe.

In Zimbabwe, micro lending institutions have exposed various income generation opportunities, they have also assisted in creating new employment or job opportunities, households no longer focus only on farming activities but also on off farm activities like retailing, basket weaving, baking , tailoring, catering and carpentry. Micro lending institutions have also helped to refine the livelihoods of people whether in a rural or urban set up. Therefore access to good funds permits the people to increase and secure food production and security , it also reduces vulnerability to shocks like low harvest production since people can make use of micro lending and compensate for low harvest by engaging in other economic activities. As a result, access to appropriate loans for the poor, leads to significant poverty alleviation and an increase in livelihood diversification.

According to Care International (2013) a survey conducted by the National Task Force on Microfinance in 2006 reported that 70 per cent of the economically active population in Zimbabwe did not have access to formal financial services, a figure that is thought to be even lower today. As Village Savings and Lending Associations (VSLA) groups mature, and have improved entrepreneurial skills, need for linkages with formal microfinance service providers for purposes of accessing additional loan capital for growing and diversifying enterprise development activities is evident.

However Le Monde diplomatique (2013) asserts that a ZAMFI official says Zimbabwe's microfinance which suffered during the country's record-breaking hyperinflation in 2008, is profit-driven, explaining that "this is why there has been a proliferation of bogus micro-lenders. Microfinance has not yet given poor women a springboard to escape poverty because not many firms are willing to underwrite what they see as bad loans." However, Mutengezanwa et al (2011) argues that increased household income, access to health care and education and better living conditions are just a few ways in which micro finance and complimentary services is impacting the poor and underserved population around the world. This shows that indeed micro finance as a whole has many positive impacts that contribute to the development and improvement of peoples livelihoods.

This is also the reason why the micro finance sector has witnessed interventions from different stakeholders that include the government, Non Governmental Organisations and



other voluntary organisations. The government of Zimbabwe has come up with different measures that ensure that operations in the micro finance sector run in a smooth way.

#### **2.4 Government participation in ISALS**

The government of Zimbabwe has also participated in the operations of micro lending institutions. Various interventions have been taken into account by the government of Zimbabwe to ensure the smooth operations of the micro finance sector. The Reserve Bank of Zimbabwe (RBZ) has put in place legal instruments that govern the operations of the micro finance sector that include the money lending and rates of interest acts and from time to time the RBZ issues regulatory directives which the MFIs are required to comply with. The Reserve Bank will continue to conscientiously discharge its regulatory and supervisory role in the interest of maintaining financial stability. In this regard, appropriate corrective action will be taken on those institutions found flouting the laws, regulations and directives issued from time to time. 13.2 Microfinance institutions and other institutions supervised by the RBZ must conduct their operations in compliance with applicable laws, regulations and best practices. RBZ (2012). This is a good directive by the government because monitoring micro lending institutions ensures that the public is not robbed especially in a case where collateral is used to obtain funds.

#### **2.5 Impacts of Internal Savings and Lending Schemes on livelihoods**

Contributing to the field in a manner similar to this research, Allen and Hobane stated that ISALS have contributed to the increase of household productive and non-productive asset levels among the great majority of Kupfuma Ishungu (KI) members in Zimbabwe and this included some improvements in the quality of housing<sup>25</sup>. The study further notes that there has been a significant reduction in the use of formal-sector and traditional savings instruments, in preference of Kupfuma Ishungu clubs<sup>26</sup>. This is particularly marked by a sharp reduced post office savings schemes. Income-generating projects (IGPs) per household increased numerically and these IGPs became more stable, while household labour allocated to IGPs increased.

Anyango reached similar conclusions that ISALS clubs had helped to improve the source of revenue for its members and fight poverty, particularly for women who constitute the groups

---

<sup>25</sup> Allen, H. and P. Hobane, Impact Evaluation of Kupfuma Ishungu Zimbabwe, 2004.

<sup>26</sup> Ibid

majority<sup>27</sup>. Economic activities that ISALS club members were engaged in at the baseline had increased, as well as the magnitude of other activities. ISALS members had diverged from certain economic activities that require greater capital than those they can manage easily. The concept had led to increased accumulation of assets for its members. Special credit should be given to Anyango for including women in his research for it is women who are responsible for at least 60% of agricultural production in Africa, though he did not clearly mention anything directly linked to agriculture in his study.

IFAD share the same belief that ISALS have helped communities in income generation, resource mobilization and generally improve source of revenue security<sup>28</sup>. They have also significantly contributed to the empowerment of poor rural people especially women. According to Protracted Relief Programme Newsheet, over 42 000 homes in Zimbabwe are currently benefiting from ISALS and this figure is expected to reach up to 84 000 households by the fourth quarter of 2016<sup>29</sup>. Fowler and Hugh in 'Foundation Savings Groups Learning Initiative' they article, highlighted that the ISALS model has proved to be an effective driver for the economic and social progress of its membership over the last 12 years<sup>30</sup>. They state that household productive assets levels have increased amongst the great majority of ISALS club members<sup>31</sup>. Their major weakness just like many other scholars is that they view ISALS as an end not a means to a more desirable end which maybe reinvestments in projects like agriculture. The researcher is more concerned about using savings and credits from ISALS as a capital base for other projects and in this case agricultural development.

This study is pivotal and beneficial because ISALS have the capacity to efficiently and effectively provide sustainable financial returns to poor individuals who are otherwise excluded from the conventional financial systems because of lack of collateral. Sithabiso Gandure postulates that the concept of ISALS has contributed to livelihood enhancement by contributing to food security as well as the protection and building of physical, human,

---

<sup>27</sup> Anyango, E., CARE Malawi Central Region Livelihood Security Project Impact Assessment Report on Village Savings & Loans Component, 2005

<sup>28</sup> IFAD, Supervision and implementation support of projects and programmes funded from IFAD loans and grants Programme Management Department Rome, 2002 pg.23

<sup>29</sup> Protracted Relief Programme, Newsletter October 2011

<sup>30</sup> . Hugh and Fowler, Foundation Savings Groups Learning Initiative 2010

<sup>31</sup> Ibid

financial and social asset<sup>32</sup>. This therefore means that ISALS can have a significant role in building sustainable livelihoods through agriculture. Moreover several studies highlight the sustainability implications for ISAL schemes as a vehicle for poverty reduction, asserting that for poor households, access to even small amounts of loan facilitate investments in projects such as education that would otherwise be impossible or ignored. New income that results from ISALS can facilitate education.

There are also other studies that seem to support the claim about the relevance of Internal Savings and Lending Schemes in poverty reduction. Murdoch argues that microfinance has had a positive impact on poverty reduction<sup>33</sup>. He is keen to add that “Even in the best of circumstances, loans from microfinance programs helps fund self-employment activities that most often supplement income for borrowers rather than drive fundamental shifts in employment patterns.” Khandker, in his findings, also postulates that the concept is also relevant in poverty reduction and sustainability not just for the beneficiaries but also benefits spill over to the rest of the community<sup>34</sup>. In his study, Khandker used a panel household survey from Bangladesh and observed that access to small credit contributes to poverty reduction, especially for female participants, and overallly at the village level. Pitt and Khandker find, using data from three programs in rural Bangladesh, that borrowing from group lending schemes increased consumption of poor households<sup>35</sup>.

More so, recent studies on livelihoods focused on the nature and use of assets as key elements to determining constraints and choices for raising living standards. Women’s ownership and control over assets is a critical attribute of their livelihood capabilities. For instance, in a rural agricultural context, land is an important asset. However, globally women’s access to this asset is hardly firmly designed. Therefore, this low access to land ownership can be regarded as one of the greatest factors explaining gender inequalities. Furthermore, gender inequalities and gender differences also occur with respect to access to capital in conventional credit schemes, since women were less able to supply the collateral

---

<sup>32</sup> Sithabiso Gandure, Internal Savings and Lending Model: Lessons from CARE Zimbabwe’s Rural Micro Finance Programme. Case Study for the RHVP Regional Evidence- Building Agenda (REBA).

<sup>33</sup> Murdoch, Jonathan, The microfinance promise, Journal of Economic Literature, 1999, pg45

<sup>34</sup> Shahidur Khandker Income and Employment Effects of Micro-Credit Programmes Journal of Development Studies,1996,pg16

<sup>35</sup> Pitt, Mark M and Shahidur R. Khandker, The impact of group-based credit programs on poor households in Bangladesh: Does the gender of participants matter? The Journal of Political Economy, 1998 pg958

for loans. Thus, group lending approaches that have been directed specifically to women have addressed this. Hence, ISALS can play a significant role in sustainable developing women through their interventions.

Many scholars have also neglected the aspect of practical and strategic intervention as a way to ensure sustainable agricultural development. Practical intervention includes support for small IGPs, which facilitates the efforts of people of low income to build their assets for investments. On the contrary, 'strategic intervention' is directed towards the vulnerability contexts like organizing, alliance building and advocacy .Thus ISALS can potentially play protective roles and reduce vulnerability by helping micro entrepreneurs to diversify their safety nets, boost their savings, expand their credit options, and improve household money management, accumulate physical assets. This also strengthens women's role in economic decision making and self-insurance. Therefore, this research is important and beneficial because it is motivated to try and fill this gap.

According to Littlefield, Hashemi and Murdoch, research has shown an increase in income and assets and decrease in vulnerability on the part of microfinance clients<sup>36</sup>. They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty through various ways. An example is a report made in India that showed that three quarters of clients saw significant improvements in their economic well-being and that half of the clients graduated out of poverty.

## **2.6 Impact of micro lending institutions**

Many MFIs around the world such as Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, Bank Raykat Indonesia (BRI) and the BancoSol in Bolivia have reported significant positive impacts on the lives of poor in terms of household expenditures, children education and health, accumulation of household assets (Chaves & Gonzalez-Vega, 1996; Hashemi & Schuler, 1994; Hulme & Mosley, 1996; Khandker, 1998).

Few more positive impacts were found in the impact assessment studies (Goetz & Sen Gupta, 1996; Meyer, Gonzalez-Vega, & Rodriguez-Meza, 2000; Mosley, 2001; Navajas, Schreiner & Rahman, 1998).

---

<sup>36</sup> Littlefield, Murdoch and Hashemi, *Micro finance Handbook: Sustainable Banking with the poor* 2003 p15.

## **2.6.1 Household Welfare**

### **(i) Children Education**

Education has been recognized as an effective and expedient change agent. It helps to broaden the mental horizon of the people hence, motivate them to participate actively in the social and economic development of the family and the country at large. Schultz (1961) and Becker (1975) treated education and training as a form of investment producing future benefits in the form of higher income for both educated individuals and for society as a whole. Income generated through household enterprise is used for children schooling, social investment and consumption (Balkenhol, 2006). Education has a positive influence on eradicating poverty, since increased education leads to increase income, health and nutrition (Psacharopoulos & Woodhall 1985). Umara Noreen (2010) depicted that microfinance participation leads to improve children education.

### **(ii) Housing**

Value of house, access to clean drinking water and sanitation are important indicators of housing which have been found in previous studies (Mustafa 1996; Copestake, Dawson, Fanning, McKay, & Wright Revollo, 2005). Positive relationship has been reported in the previous studies (Chen & Snodgrass, 2001; Neponen, 2003, & Todd 2001).

A study by Umara (2010) evidenced that no significant difference with respect to repair and improvement in the housing conditions when comparing new clients with established clients was found. These results were supported by Kondo et al, 2007 and contradict with some of the studies (Chen, & Snodgrass, 2001; Neponen, 2003). It was observed that most of the microfinance clients used to build their houses illegally.

### **(iii) Food Security**

Basic purpose to study this indicator is to see how household diet pattern is changing. Husain (1998) defines nutrition as —instances per week/month of consumption of specific nutritious foods (e.g., meat, fish, dairy, vegetables). Developing countries often face a —hungry season when there is a bad harvest compared to the previous year leading to high prices of food commodity and fear of food shortage. These indicators capture food insecurity during these periods (Nelson, 2000). Drawback of this indicator is that concept of —improvement or —eat less varies from respondent to respondent. Significant positive relationship between food security and microfinance was observed in previous studies (Banes, 2001; Chen & Snodgrass 2003; Neponen, 2003; Rosintan, Drioadisuryo & Cloud 1999).

(Barnes, 2001) Participation in Zambuko's program appeared had a positive impact on the frequency nutritious foods were consumed in extremely poor households and the diversification of income sources among departing clients. Better management of financial resources was to explain the higher consumption levels found among extremely poor continuing clients, compared to non-clients, in the frequency that meat, chicken or fish, and milk were consumed in their households.

### **2.6.2 Household Expenditure**

Previous studies, Alexander, 2006 and Effa & Herring, 2005 have shown a positive impact of microfinance on household expenditure. Morduch (1998), however, argued that the eligible households that participated in the microfinance programs have strikingly less consumption levels than the eligible households living in villages without the programs. So it can be safely said that microfinance participation has no impact on household expenditure with only exception to one household expenditure, that is, loaned to relatives.

### **2.6.3 Household Assets**

Poor households have little money to spend even in basic need therefore they do not have enough to spend in household assets. That's the main reason that one can associate accretion of assets with household income levels. Complete valuation of all household assets is not compulsory hence measuring specific types of household assets can single out those who are better as compared to others (Henry et al, 2000). Perception about value of livestock varies from one culture to another.

For example, in Kenya, most households were reluctant to count livestock because it was thought to bring bad luck. Similarly in India, keeping cattle did not mean to increase the monetary worth of the household because of their religious affiliation. Transportation was another household asset was a relative measure of poverty. Bikes, motorcycles, and other motorized vehicles vary in degree of ownership from country to country. People in mountainous regions may own fewer bicycles; people in urbanized areas, relatively more. All major appliances and electronics are considered good for differentiating relative poverty levels.

In India, ownership of electric fans was a significant measure for signaling relative wealth. In the Kenyan highlands, few households own fans but many own televisions. In Nicaragua,

most surveyed households owned at least one television, and its value was a significant determinant of the household's relative wealth. Significant positive relationship between microfinance participation and household assets was observed in various studies (Kondo, 2007; Sebstad & Chen, 1996 & Sengsourivong, 2006).

## **2.7 Financial Performance**

Studies have shown that impacts on enterprise profits may occur early and then taper off within the first year or two of microfinance programme participation (Zaidi et al, 2007). Kondo (2007) explains that positive impact on employment through participation of microfinance program. Morris & Barnes (2005) found positive impact of microfinance on addition of new products in the enterprise, improve desirability of products, reduce costs by purchasing in bulk and improved knowledge of most profitable product hence contributing towards the improvement of financial performance overall.

## **2.8 Internal Savings and Lending Schemes as a development tool**

The aforementioned reveals the positive impact of ISALS in third world countries. Ledgerwood argues that microfinance does not aim only at just providing services, it is a development tool<sup>37</sup>. Littlefield, Murdoch and Hashemi, Simanowitz perceive an important role for microfinance in the achievement of the Millennium Development Goals (MDGs). UNCDF argues that microfinance contributes to the achievement of many Millennium Development Goals and plays a key role in many of its strategies<sup>38</sup>. Harrod and Domar are almost of the same view in their model, they argue that the level of growth depends on the quantity of capital, and to them there should be savings and microfinance to raise this capital. This shows the importance of ISALS that provides both the savings and loans they talk about. However, the Harrod-Domar model implies that the poor should borrow to boost financial investment in capital to trigger economic growth, to them even big loans of which history has shown that this often cause debt problems which has been a blow to many developing countries to date. This research is about small loans and unlike the Harrod-Domar model separates economic growth from development because economic growth does not necessarily translate to development

---

<sup>37</sup> Ledgerwood C, Microequity and microfinance, World Development 1999,p30

<sup>38</sup> Littlefield,and Murdoch etal Impact of Microfinance on Poverty Alleviation: What does Emerging Evidence Indicate? In Microfinance: A Pathway From Poverty 2001, pg11

Catholic Relief Programme has observed that internal savings and lending schemes have made a real impact in the lives of clients. They state that ISALS also provide benefits beyond increased savings and income<sup>39</sup>. It teaches group decision making and can lead to group cohesion in times of need. Participating in internal savings and lending schemes teaches financial management skills which can also be applied to agro enterprise activities. Thus internal savings and lending schemes have gained global acclaim in many developing countries but most studies have missed the fact that poor people demand a wide range of financial services and development activities for different household purposes, thus this research will address this gap.

Internal Lending and Saving Schemes have also been considered by many NGOs in developing nations as a potential tool to mitigate donor dependency. After failed development policies over the past few years to try and end poverty in most developing nations, ISALS methodology is now considered as a new paradigm for bringing about development and absolute exit from donor dependency. This contribution is quite appraisable since it is highlighting one of the objectives of this research, that of fighting donor dependency.

Ellis is of the view that, poverty level is a key determination in the assessment of livelihoods and development based on level of income and rate of consumption<sup>40</sup>. Studies on poverty shows that the capability of individuals or households to construct sustainable livelihoods is determined by assets. Therefore, poverty reduction requires that particular attention be paid to the asset resources, and the activities that distinguish the poor from the other members of communities<sup>41</sup>. Moreover, a well-being approach to poverty reduction through agricultural development may allow the beneficiaries themselves to define the sustainable livelihood outcome criteria including self-esteem, security, happiness, stress, vulnerability, power, exclusion as well as more conventionally measured material gains<sup>42</sup>.

---

<sup>39</sup> Catholic Relief Services, 'Preparing Farmer Groups To Engage Successfully With Market', Study Tour Group Catholic Relief Services, Baltimore, USA, The Rural Innovation Institute, CIAT, Cali, Colombia, 2006

<sup>40</sup> Ellis, Frank, *Rural Livelihoods and Diversity in Developing Countries*, Oxford: Oxford University press, 2000

<sup>41</sup> Borjorjee Deena M., Rani, Deshpande and Weidemann, C. Jean, *Supporting Women's Livelihoods: Micro finance that Works for the Majority: A Guide to Best practices*, United Nations Capital Development fund Special Unit for Micro finance January, 2002, pg56

<sup>42</sup> Chambers Robert, *Poverty and Livelihoods: Whose Reality Counts?* Institute of Development Studies, Discussion Paper No. 347, January, 1995, NORGRIC.



## 2.9 Social impacts of Internal Savings and Lending Schemes so far

Meron in her thesis entitled ‘The Role of Microfinance in Empowering Women in Addis Ababa’, postulates that the delivery of microfinance has positive impacts on the economic empowerment of the clients, although the income increases were small<sup>43</sup>. But she did not further investigate the role of micro finance on clients’ sustainable agricultural development. Bahiru has also discussed empowerment issue on the contribution of credit and saving projects towards social and economic empowerment of rural people in Ethiopia<sup>44</sup>. He concluded that women clients’ decision making power has increased after the intervention<sup>45</sup>. However, he did not consider the implication on their sustainable means of income.

Curiosity on the social effects of microfinance has led to a number of impact assessments published in scholarly journals. Mc’Kernan discovered that program participation can yield progressive impact on self-employment profits, whilst Pitt and Khandker finds that program credit has a substantial impact on the well-being of poor families and that this impact is even bigger when credit is directed to women<sup>46</sup>. In seven other scholarships in Bangladesh Hashemi et al focuses on the inquiry of women empowerment.<sup>47</sup> All except one finds evidence that participation in microfinance programs exerts a statistically noteworthy impact on one or more aspects of women empowerment, such as usage of contraceptives or intra household decision-making. The only Bangladeshi impact research that failed to find important impacts is Goetz and Gupta’s who discovered that significant portions of the women’s loans were manipulated husbands, hence reducing women’s abilities to develop reasonable control over their investment activities.

---

<sup>43</sup> Meron, The Contribution of credit and Saving Projects Towards Socio-economic Empowerment of Rural Women in Ethiopia: The Case Study of Hunde’s Lencho Telecho credit and Saving Project. BA Senior Essay, Addis Ababa University, 2007

<sup>44</sup>Bahiru “The Role of Credit in the Informal Sector for Poverty alleviation.” In Bereket and Mekonen (eds.) The Ethiopian Economy poverty and poverty Alleviation: Proceedings of the fifth annual conference on the Ethiopian Economy, Addis Ababa, pg 281

<sup>45</sup> Ibid

<sup>46</sup> McKernan, Signe-Mary, The impact of microcredit programs on self-employment profits: Do non-credit program aspects matter? The Review of Economics and Statistics 84, pg93, 1996

<sup>47</sup> Hashemi et al. Hashemi, Syed M., Sidney Ruth Schuler, and Ann P. Riley, Rural Credit Programs and Women’s Empowerment in Bangladesh, World Development pg63, 1996

Wydick attains that higher class structure mobility increased significantly with access to loans<sup>48</sup>. Using data set in a later study, Wydick also unearths that instant gains in employment creation occurred after initial access to credit, this included the agricultural sector<sup>49</sup>. Dunn states that ISALS clients performed better than non-client in businesses in terms of fixed assets, employment, and profits<sup>50</sup>. Conclusively, Leigh Laura analysed 147 villages and discovered that participation in ISALS increased environmental awareness and common pool resource management<sup>51</sup>.

More studies should therefore be pointed towards not just specific results but also the context within which particular results are expected. What worked in an individual economic and socio cultural context may not necessarily yield same results if the socio cultural and economic conditions are changed. This kind of focus for future research will contribute heavily to knowledge, for the purposes of development. It is within this contextual that this research is conducted. The study specifically focused on Internal Saving and lending Schemes as a way of ensuring sustainable agro-development for poor rural families in Chimanimani District. The research focused on households' participation and access to loans through Internal Savings and Lending Schemes.

## **2.10 Integration of ISALS with other projects**

Our overview of issues related to ISALS would not be comprehensive without a brief discussion of integrative approaches. A few articles have examined integration of microfinance with other development programmes. Smith compares minimalist micro finance institutions (MFI) services in Ecuador and Honduras to those offering financial services, integrated with health education<sup>52</sup>. Using examinations of 963 Ecuadorian club members and 981 Honduran club members, he discovered that members in integrated programs experienced better family health, whilst those in minimalist programs did not. Using 20

---

<sup>48</sup> Wydick, W. Bruce, Credit access, human capital, and class structure mobility, *The Journal of Development Studies* 55, 131-152, 1999a

<sup>49</sup> Wydick, W. Bruce, Microfinance among the Maya: Tracking the progress of borrowers, *Development and Change*, 2002, pg33

<sup>50</sup> Dunn, Elizabeth, 2001, Microcredit and Microenterprise Performance: Impact Evidence from Peru, *Small Enterprise Development Journal* pg22, 2001

<sup>51</sup> Leigh Laura , Microcredit, social capital, and common pool resources, *World Development* pg32, 2002

<sup>52</sup> Smith, Stephen C, Village banking and maternal and child health: Evidence from Ecuador and Honduras, *World Development* pg723, 2002

minimalist MFIs and 84 banks that offered health education, Smith finds no significant difference in the performance of the MFIs.

Supporting integrative approach, case methodology was used by Edgcomb to review MFIs offering training for integrated business development<sup>53</sup>. Their conclusion was that business development trainings significantly improve microenterprise performance and micro entrepreneur empowerment. A final issue meriting mention is provision of equity in lieu of credit for enterprise formation and start-up capital. Pretes discuss several cases of this practice in East Africa<sup>54</sup>. They refer to this service as providing enterprise equity however, in finance vernacular this service would most likely be considered an internal loan. They argue that those who invest the equity in such cases receive their returns intrinsically, as they do not receive a financial ownership position in the start-up firm. At the same time, the unique nature of ISALS provides a fascinating laboratory to test existing theories and to create new developmental theory.

## **2.11 Summary**

Internal Savings and Lending Schemes have been defined from various different points of views. The definitions that stood out noted that ISALS are projects that foster development through the empowerment of the poor. Related literature on internal lending and saving schemes has also validated the programme as a possible avenue to positively impact the lives of billions of poor households. The researcher has in this chapter examined various scholarly articles and their shortcomings as far as addressing the topic under study is concerned. Available literature only shows the relevance of ISALS as a tool for development and social wellbeing of households. The next chapter is going to look at the methods that were used to collect data and why and how they were used. Although scholars do not agree on their conceptualisation of ISALS, it seems quite convincing that they all tend to settle on the fact that the scheme will always yield sustainable community development. Internal Savings and Lending projects are a pivotal element in stimulating development on any poor community. Income generating projects that came to being as a result of ISALS has helped on the development of the agricultural sector. This has empowered rural people to acculturate investing their skills, time and knowledge towards development of their communities.

---

<sup>53</sup> Edgcomb, Elaine, What makes for effective microenterprise training? *Journal of Microfinance*, 2002, pg 114

<sup>54</sup> Pretes, Michael, Micro equity and microfinance, *World Development*, 2002, pg30

## Chapter 3

### RESEARCH METHOD

#### 3.1 Introduction

This chapter is going to look at methods, ways and techniques which were employed by the researcher to collect both quantitative and qualitative data. These methods will be revealed below and also how and why there were used. Contained in the chapter is the applied research methodology, four data collection methods which the researcher used for data collection and the summary of methodologies will end the chapter

#### 3.2 Research Methodology

The research methodology was designed in line with the questions to be answered and information needed. In other words, the choice of research methodology was mainly based on factors related to the nature of the research topic. To gather information, various data collecting instruments such as questionnaires, focus group discussion, interviews and observations were employed.

In order to acquire the best results, the researcher used triangulation as a research method. While more emphasis was given to the qualitative research method, quantitative analysis was also used to supplement the former approach. The researcher believes that using these two methods simultaneously enables him to adequately tackle the problem under study and Tashakkori and Teddlier (cited in Degefa, 2005) believes that blending multiple methods eliminate or mitigate some of the drawbacks of certain methods, since both qualitative and quantitative methods have their own innate weaknesses<sup>55</sup>.

Mixed methods strengthen the study, giving great advantage when the findings of one are corroborated by the other<sup>56</sup>. A complex social phenomenon is best understood through different methods; some phenomena have multi-dimensions and are linkage with a range of variables, the understanding of which should be based on a mix of methods. This shows that the blending of the two techniques is a more effective data collecting method.

---

<sup>55</sup> Degefa Tolassa, Combining household qualitative data and quantitative data in food security research. A trial lecture for the PhD-degree. Trondheim, 10,06,2006, working paper on population and land use in central Ethiopia, no.5, 2005

<sup>56</sup> Ibid

### **3.3 Target Population**

The main target group for the research was ISALS club members in Chimanmani and the assistant project coordinators at Restless development. The total number of ISALS club members that were registered with Restless Development was 179. A sample of 21 representatives from the targeted 15% population was considered appropriate to make up the sample representing all the members, considering that this was a survey. Purposive sampling method was used to come up with a sample. Of these twenty one members, nineteen were club members and two ISALS coordinators from Restless Development. This was in line with Kothari who states that for a large population where a complete enumeration is impossible, at least a 10% representation is reasonable<sup>57</sup>. A sample larger than this one would have made the completion of the project difficult because it would have taken much time as more quantities of data would have been presented for analysis, which was difficult due to the time that was available for completing the research.

### **3.4 Sampling Method**

The sample provided a reasonably precise estimate of the entire population at a much reduced cost in a short period of time since everyone could not participate. For the purposes of this study, purposive sampling was used, which is a method that involves the selection of a sample based on the researchers' judgment through handpicking participants for the study. Purposive sampling allowed the researcher to deliberately select respondents possessing a set of desired know-how and characteristics. The researcher could do this easily because he was familiar with the people since he did his attachment in that area. Focusing on the particular people who have direct link with ISALS and agriculture saved time and resources and it also ensured that only relevant candidates are involved hence acquiring relevant data.

### **3.5 Research instruments**

The researcher employed observations, questionnaires, and interviews and focused group discussions as research instruments. Largely this enabled the researcher to obtain uniform data that could be compared and summed up easily.

#### **3.5.1 Questionnaires**

The most important part of the research was in questionnaires, which is a formal and effective means of collecting opinionated data from respondents. The primary purpose of a

---

<sup>57</sup> Kothari C , Research Methodology ; Methods and Techniques .New Dehnl:Age International Publishers 2004, pg28

questionnaire was to measure since the data collected was represented in form of words as well as figures or statistics. The questionnaires consisted of a list of preset questions. All questionnaires were hand delivered to the respondents. The researchers took time to explain the purpose of the study as the questionnaires were personally handed to the respondents and clarifications were made.

### Questionnaire Design

The questions were made clear, short, precise and as straight to the point as much as possible so as to collect only the required information. The questionnaires incorporate both open and close ended questions. The researcher delivered questionnaires by hand to all respondents through volunteers from Restless Development and himself. One advantage of using volunteers was that they lived in the locality, therefore it was fast and the researcher could easily locate them. Special attention was paid to the translation of the questionnaire to the local language from English. Response rates were quite satisfactory, all targeted informants participated without any challenges.

Questionnaires allowed the researcher to collect data from many informants at the same time in a short space of time. The respondents were able to answer questions in their own time and have time to correctly read and understand the questions. Respondents could air their views freely without fear. Questionnaires also allowed respondents to quantify answers in comparable form and the respondents could also think about a question because they are not under pressure to respond immediately.

However, questionnaires are also normally characterized by a low rate of return due to illiteracy – Low response rate is the curse of statistical analysis which can dramatically lower confidence in the results. In order to minimize low response rate, the researchers assisted in reading and writing response to a few participants. The researcher failed also to get more information from the respondents' gestures and actions as you would in an interview because the respondents fill out the questionnaire when you are not there so you cannot evaluate their actions and gestures. Respondents were limited to thinking within predetermined boundaries.

### **3.5.2 Interviews**

Structured interviews were used for data gathering so as to get uniform data which is easy to analyze. The Project Coordinators at Restless Development were interviewed in order to obtain in-depth views. This was based on the assumption that they are knowledgeable

because of their daily experiences and encounters with the clients. These interviews were mainly aimed at obtaining narratives for further analysis. It was felt that they were more likely to present a less biased picture of the real situation on the ground. It was also assumed that their level of working with people would be less likely to be intimidated by the process, hence allowing for more open and honest responses. Five of ISALS club members were also interviewed by the researcher so as to obtain additional information and clarity which other data collection methods obscured.

### **Interview Design**

The researcher made use of an interview guide which comprised of a list of questions used to get answers from the respondents and to guide the researcher on questions to ask. In this guide, the researcher deliberately chose to use both structured and unstructured interview questions. The unstructured interview format proved to be more appropriate because the researcher required in-depth knowledge about the social phenomena but wanted a certain level of control over the interview process. From previous experience, some level of control over the interview process in rural communities is of necessity as informants usually tend to stray from the research topic. The strategy was to initially ask as few questions as possible and use active follow-up strategy questions, prompts and probes whose flexibility will be directed by the interview process. The researcher also used interpreting questions during the process to make certain that the understanding of the information were what the informants intended to convey. This was an important way of ascertaining that the researcher obtains accurate in-depth information.

All interviews were carried out in the villages of respondents in exception for ISALS officers who were interviewed at their work place. The researcher did this to make the respondent confident and relaxed enough with the familiar setting to answer freely the interview questions. Interviewees were quite enthusiastic about participating in the research such that the researcher had a hard time explaining why he could not interview everyone. Most of the interview sessions lasted for about twenty minutes. During the interview the researcher assumed nothing, a lot of follow-up questions and probes were used to unearth and understand issues which emerged. These follow-up questions and probes was employed to ascertain that the idea that the respondent intended to convey had been understood.

The use of personal interviews offered the researcher the best degree of sample control and the interviewer had great control on who was interviewed. Dane states that interviews helps

in obtaining additional clarifying data which other information collection methods fail to do<sup>58</sup>. Interviews tend to manage non-response rate than all other data collection methods. Refusal rate tend to range within 10 % to 30 % on average, since there is face to face contact between the researcher and the interviewer<sup>59</sup>.

Potential for interviewer bias was the main challenge in the sense that, the researcher' rephrasing of questions, physical appearance or tone of voice may influence the response. To overcome such a problem, the interviewer tried to maintain an environment that was conducive by all means. Panneerselvam also argues that personnel interviews are a time consuming and costly process<sup>60</sup>. The researcher however, planned for the research process in advance.

### **3.5.3 Participant Observations**

Marshall and Rossman states that observations allows the researchers to observe situations informants have described in interviews, thereby making them aware of distortions or inaccuracies in description provided by those informants. The researcher used the observation research technique to observe situations that informants were unable or unwilling to share. The researcher also employed this technique so as an instrument to develop a rapport with the informants, thereby easing facilitation of the research.

This research technique facilitated development of a strong rapport between the researcher and respondents which made it easier for the researcher to issue out questionnaires and gather a focus group without any major challenges. Participant observations also made it possible for the researcher to understand the people' way of life and observe everything especially that which the respondents were not willing to share and also for clarity on grey areas. Purposive sampling was also made possible as a result of participant observations. The research method took too much time for the researcher to get desirable results as a rapport had to be established first between the researcher and participants then the researcher had also to get past the stage where participants live in pretence or acting which distorts data.

---

<sup>58</sup> Dane, F.C. 2009. Research methods. California: Brooks Cole 2009:pg309

<sup>59</sup> Panneerselvam, R, Research methodology. New Delhi: Prentice Hall2005, Trochim, W.M.K.Statistics in research. [Online].Available at: <http://www.socialresearchmethods.net/kb/index.php>. [Accessed 18 March 2012].2005, pg18

<sup>60</sup> ibid



### 3.5.4 Focused group discussions

Focus Group Discussions stimulated participants to express their views openly on the issues raised and allowed for a dialogue between them. Since questions were directed to the group as opposed to individuals, the dialogue had its own peculiar flow. Rather than a simple question and answer type, the discussion tends to grasp information regarding the ideas and opinion of the group towards an issue.<sup>61</sup> To fulfil the aforesaid goal, a discussion was initiated on the topic to ISALS members under the direction of a facilitator. Two focus group discussions were conducted with ten people making up a group and these were members of ISALS clubs. The researcher took advantage of the ISALS club meetings to conduct his research as he had asked for permission from the club chairpersons. The discussions were moderated by the researcher and they lasted fifty minutes on average. The ideas were raised, the dialogue held and the cooperativeness of the participants was also very much useful.

Focus group discussions could bring out important ideas that the researcher had not earlier thought about and these were discussed at that particular meeting. High quantity of data could be collected within a short space of time and that data would be representing various thoughts which any other data collecting techniques could not do. Focus group discussions have a unique flow that is exciting to participants prompting maximum response to the topic under discussion. The fact that participants will be many makes some other participants afraid or shy to bring out their views. At the end of the day it is the views of the influential people and those who are not afraid to contribute that dominates the discussion. However the researcher tried to avoid this by facilitating the discussion in a way that everybody could freely contribute. A circular sitting arrangement was used and everyone was asked to contribute, one after another.

### 3.6 Summary

The researcher adopted a suitable and appropriate research methodology which helped the researcher to adequately gather and extract data from ISALS members from Chimanimani District rural communities. This chapter looked at the research method and various data collection methodologies that were employed in this research. As a method of collecting data, triangulation was employed. The main data collection strategies that were considered in this chapter include the use of questionnaires, observations, focus group discussion and

---

<sup>61</sup> Jane, Ritchie and Jane, Lewis, *Qualitative Research Practice*. London: SAGE

interviews. The strength and limitations of each and every data collection method were also discussed. The researcher also made use of participant observation which involved him staying a while in Chimanimani district. The research method helped the researcher to have clarifying knowledge of some of the ambiguous questions therefore understood better the research area. This also helped the researcher to reinforce the literature review in chapter two. Permission to carry out the research was granted by Restless Development since the organisation is the one that implements the project to the researcher's sample and also the Chief and village heads of the communities where the research was carried out. The presentation of the data that was found will subsequently be done in the next chapter.

## Chapter 4

### DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents findings and discussion of the study. Outcomes from the research and analysis of the data received will be revealed. The major objectives of the research as well as research questions will be highlighted. The chapter will provide whether Internal Savings and Lending Schemes was a success in Chimanimani District as well as the scheme' effectiveness in boosting Agricultural production and this will be drawn from views and opinions of respondents as well as observations from the researcher. As indicated in the previous chapter data will be presented in the form of quantitative and qualitative following the methods used to carry out the research. This means that there will be tables, figures, views, opinions and analysis working concurrently to explain the scheme.

**Fig 1: No of ISALS Groups under Chimanimani District in 9 Wards**

Year	Wards	Male	Female	No of Groups	No of ISALS Members
2013	1-9	7	42	5	49
2014	1-9	13	61	7	74
2015	1-9	23	94	9	117
<b>Total</b>	<b>1-9</b>	<b>43</b>	<b>197</b>	<b>21</b>	<b>220</b>

Source: Restless Development Database (2015)

The above table presents the number in ISALS groups in Chimanimani District as from 2013 to 2015. As noted the number of women is much greater than that of man. This is mainly because women exhibit a high internal locus of control and achievement. Researchers contend that women business owners possess certain specific characteristics that promote their creativity and generate new ideas and ways of doing things. The number of women may also have been influenced by their high contribution and involvement in the Agricultural sector

**Fig 2: Amotisation Chart**

Savings/member	\$ 2.00			
No of members	10			
Interest rate	10%			
<u>Month</u>	<u>Monthly Savings</u>	<u>Loan issued</u>	<u>Interest</u>	<u>Total</u>
One	\$20.00	\$20.00	\$2.00	\$22.00
Two	\$20.00	\$42.00	\$4.20	\$46.20
Three	\$20.00	\$66.20	\$6.62	\$72.82
Four	\$20.00	\$92.82	\$9.28	\$102.10
Five	\$20.00	\$122.10	\$12.21	\$134.31
Six	\$20.00	\$154.31	\$15.43	\$169.74
Seven	\$20.00	\$189.74	\$18.97	\$208.71
Eight	\$20.00	\$228.71	22.87	\$251.58
Total	\$160.00	\$915.88	\$91.58	\$1007.46

Source: *Field Survey*

The table above is a sample of a pool of funds for a club that contributes US\$2 per head every month. After the funds have been borrowed, the borrower is supposed to return back the funds with an accumulation of 10% to the loan initially borrowed. After the repayments of loans the club's savings accumulates with US\$2.00. This happens over and over again with the interest being added to the monthly contributions and the cycle continues.

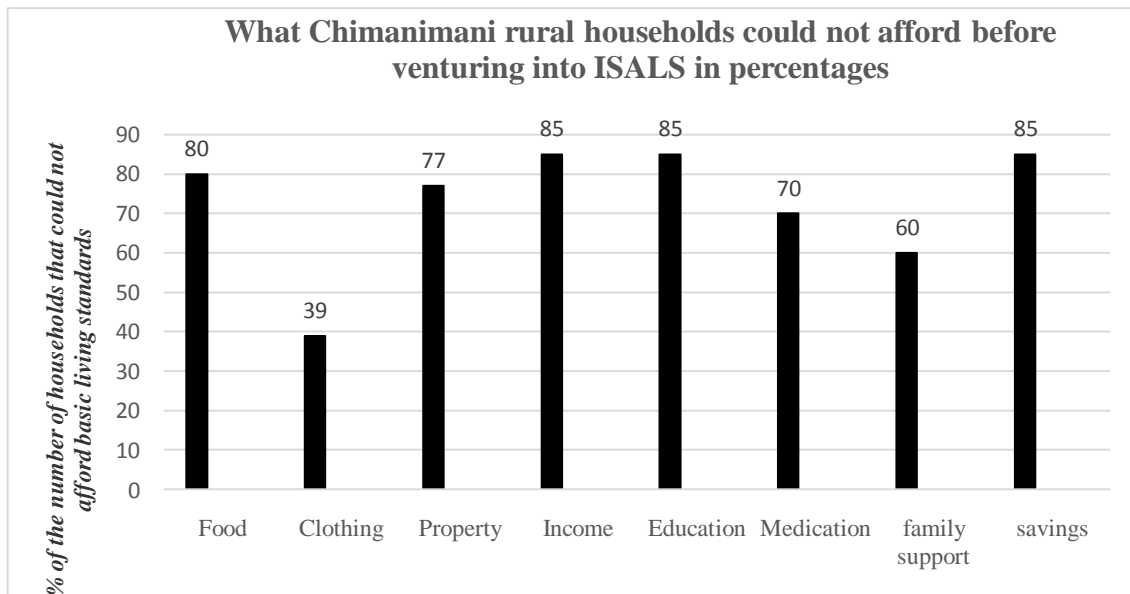
#### **4.2 Actual Results and Discussions**

After gathering data, the researcher decided to analyse, interpret and present the data in order to come up with meaningful conclusions. These conclusions were produced with special consideration to the objectives in the first Chapter. The table below shows the response rate of questionnaire by ISALS clients

#### **4.3 Response rate to questionnaires**

In this study a total of nineteen Questionnaires of the earlier projected twenty two Questionnaires were distributed to ISALS club members. The response rate was generally awesome with all nineteen Questionnaires returning filled which gives credibility to the results and findings of the study. High response rate can largely be attributed to the small sample size that was used in the study. A small sample also made it easy to analyse qualitative data without distortions. The majority of respondents were between twenty four and forty years with only two respondents above that age.

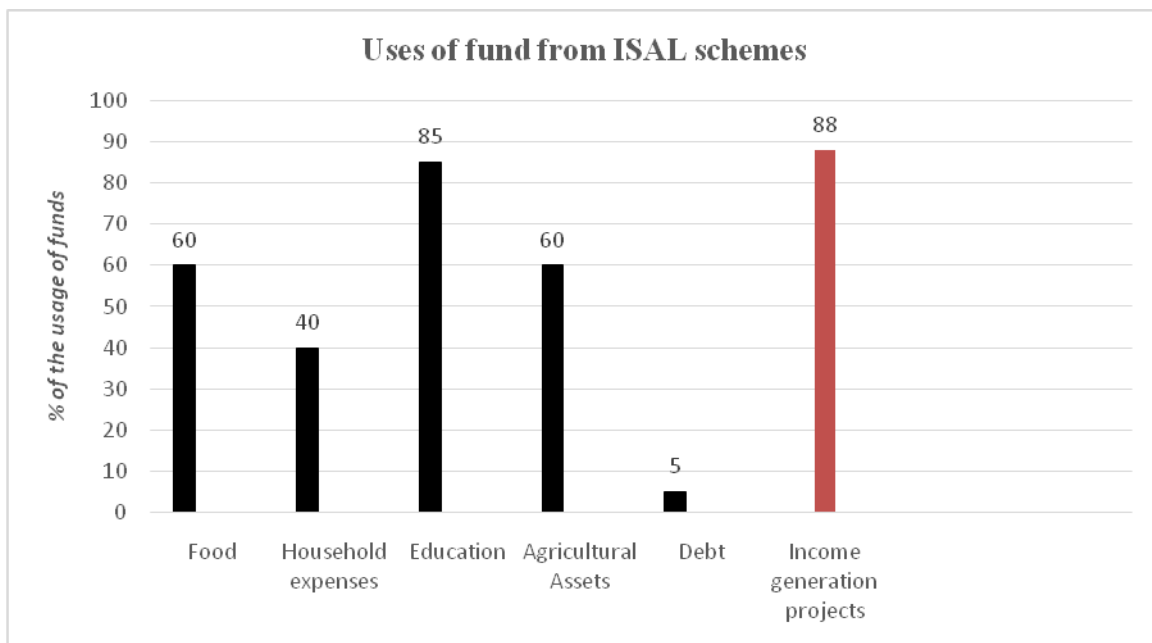
**Fig 3: What households could not afford before joining ISALS schemes**



Source: Interviews

The above table demonstrates the life of people in Chimanimani District before they became members of Internal Savings and Lending Schemes.

**Fig 4: Uses of funds borrowed from micro lending institutions**



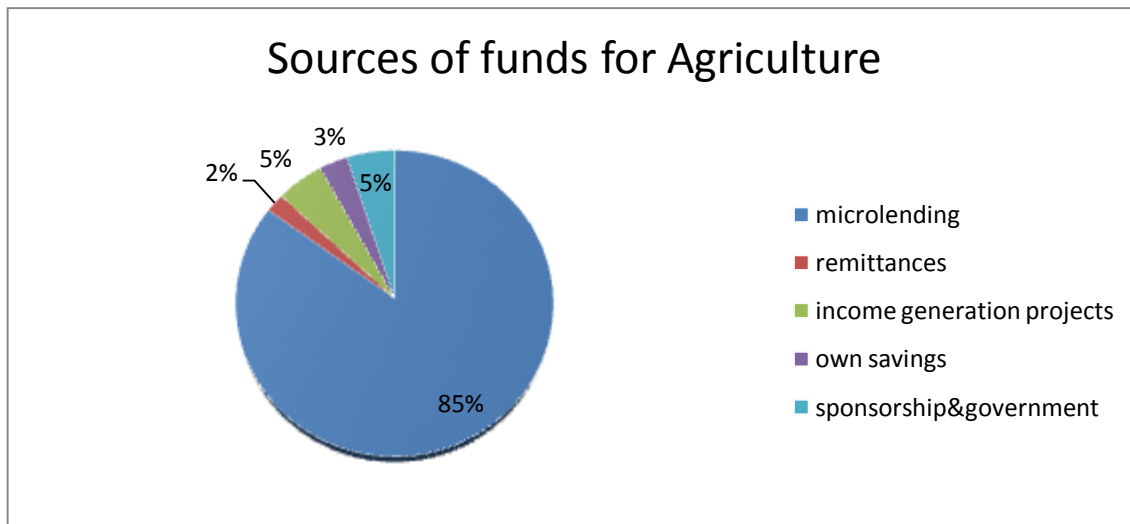
Source: Focus Group Discussion

From the illustration above, it shows that most of the funds that come from Internal Savings and Lending schemes are used for income generation activities as they also retain good

profits that also help in obtaining other goods and services. Income generating projects in Chimanimani District mainly consists of Agricultural activities

#### 4.4 The role that ISALS are playing to ensure Agricultural development and an exit mechanism to dependency on Donor Aid

**Fig 5: Source of funds for Agriculture**



Source: Field research, *Questionnaires*

The researcher asked the respondents to evaluate their sources of funds for Agricultural activities, their responds was that 2 percent comes from remittances, 5 percent comes from IGPs, 3 percent from own savings, another 5 percent from various Donors and the large portion which is 85 percent from micro lending (ISALS) activities. The researcher went on further to ask respondents to evaluate their increase in agricultural production after their joined ISALS schemes and about changes on their dependency on Donor and any external aid since the advent of ISALS. Consequently, fourteen people which make up 73.7 percent of the respondents postulated that their production in agriculture has increased since their membership to ISALS clubs, three members making 15.8 percent replied that no change was experienced in their agricultural productivity and two members representing 10.5 percent of respondents reported a decrease in production after loan and savings membership. Additionally, concerning dependency on Donor and external aid, ten ISALS club members making 52.6 percent of the sample reported a decrease in dependency while only one member representing 5.3 percent said it is still the same and another eight members representing 42.1 percent postulated that they still depended on aid for survival.

Focus group discussions (FGD) and interviews also highlighted a related development as many respondents agree with the above discussions. The FGDs revealed that they have seen an increased yield in agriculture products as a result of inputs and assets bought from savings and loans from ISAL schemes. They also stated that their food security and livelihoods were boosted hence reducing their dependency especially on donors.

*Before we became members of ISALS clubs we had poor Maize and Tobacco yields even though we had been working extra hard to feed our families. We usually had no enough inputs. All our food produce was for consumption, we did not have any leftovers for sell and reinvestments and our Tobacco yields could not even cover expenses incurred during production. But now because of ISALS there are changes. Now we can buy inputs and assets in quantities for high production. We are now making big profits in agriculture and at the same time our diets are awesome. In short we can say that we have seen some encouraging changes in our lives and communities (FGD, 1).*

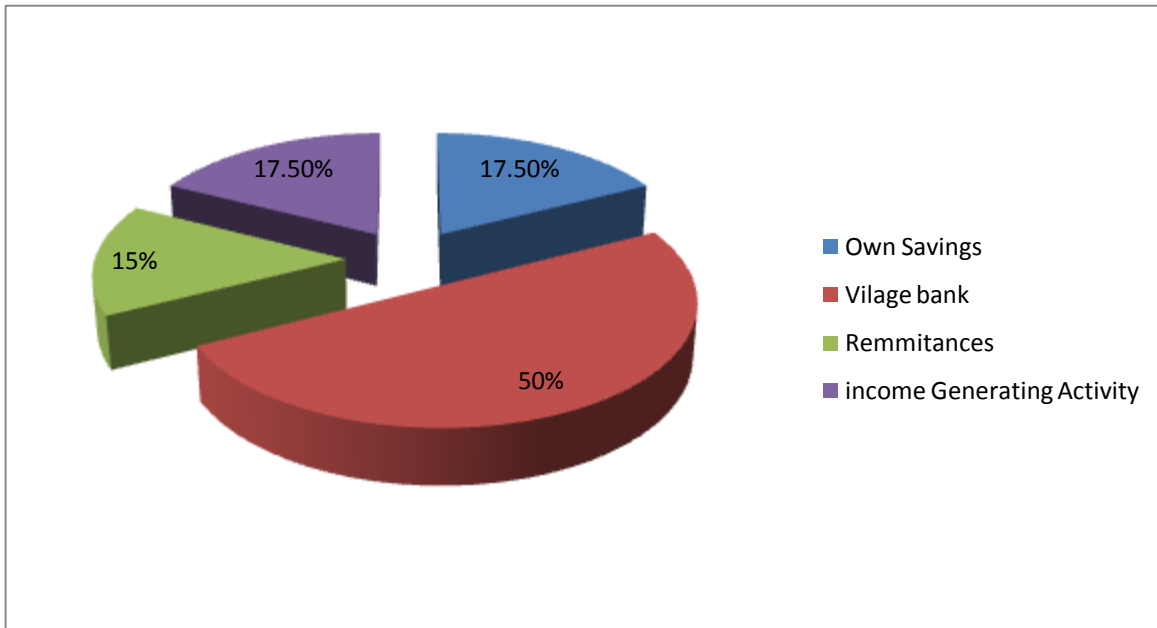
Moreover, ISALS coordinator from Restless Development explained that ‘a baseline survey before the program showed that these households were poor to the extent that some of them, didn’t even have a water fetching tin and used only manure in their fields. Nevertheless, subsequent to loans membership they have seen changes in their productivity because they now can afford to buy needed assets and inputs. (Key Informant Interview).

The mentioned above discussions clearly indicate that ISALS has positively impacted people’s lives, however, some few people experienced no change while some clients noted that their productivity and living standards has actually shrunk after joining ISAL schemes. Chief among the reasons for a decrease in their agricultural production was lack of proper management of the capital, abuse of funds, resistance to change and lack of seriousness in agriculture. Some FGD members stated their situations as follows.

*We have been engaged in agriculture but after joining the ISALS clubs we were not able to carry out our businesses as before. Our yields have generally deteriorated but we continued to settle our debts as per our commitment. Also we no longer receive food aid because most NGOs now see us engaged in an Income Generating Project (FGD, Group 2).*

#### 4.5 The effectiveness of ISALS in Resource Mobilization, Food Security and Living standards

**Fig 6: Sources of funds for food security**



Source: Field Survey: Questionnaires

A Survey was carried out to see the impact of rural banking (ISALS) on food security. The results found were that participation in the ISALS program lead to increase in consumption of nutritious food items. The study shows that there is a strong relationship between rural banking (ISALS) participation and food security.

The researcher went a step further by also asking respondents to evaluator the impact of ISALS in Productive and Durable Assets accumulation and sixteen members of the sample responded that their durable productive assets had changed for the better, while two of the participants highlighted a constant in productive and durable assets and the only one club member reported a negative change. On the subject of food security, fourteen of the nineteen respondents stated that their food security has been boosted; another two respondents explained that their food security has remained the same while three reported a decrease. Concerning Living standards, fifteen people recorded a boost while one person of the total sample reported a decrease. The remaining two club members said nothing has changed since they became members of ISALS clubs.

Supplementary information about ISALS members' living conditions and access to productive durable assets was provided by the chairperson of Kupfuma Ishungu an ISALS



group in ward seven. *Many an ISALS member who before becoming part of the programme did not even have a single plough but now have managed to buy one or two ploughs for themselves and I cannot even begin to talk about irrigation water pumps and generators. Most of my club members managed to produce Tobacco in large quantities and inputs were bought from loans and savings made accessible through ISALS. You may assume that I might be exaggerating but you can hear the truth from the clients themselves. Generally, there are good changes. However, on the contrary there are also a few others who are failing to make a life out of the program. The chief cause for their failure is lack of skills in financial management. (Interview).*

As we can see from the above statement, it is possible to generalize that loans from the ISAL scheme and savings have positive implications on accessibility to assets and food production of the majority of clients. From the above analysis, one can therefore conclude that ISALS can ensure sustainable agricultural development in rural areas.

**Fig 7 Distributions of a Village Six Respondent by Possession of livestock**

<b>Animal Type</b>	<b>No of Animals before ISALS</b>	<b>No of animals after ISALS</b>	<b>No of animals now</b>
Cows	1	3	4
Goats	5	11	16
Broilers	0	68	68
Traditional Chickens	13	26	39
Totals	19	108	129

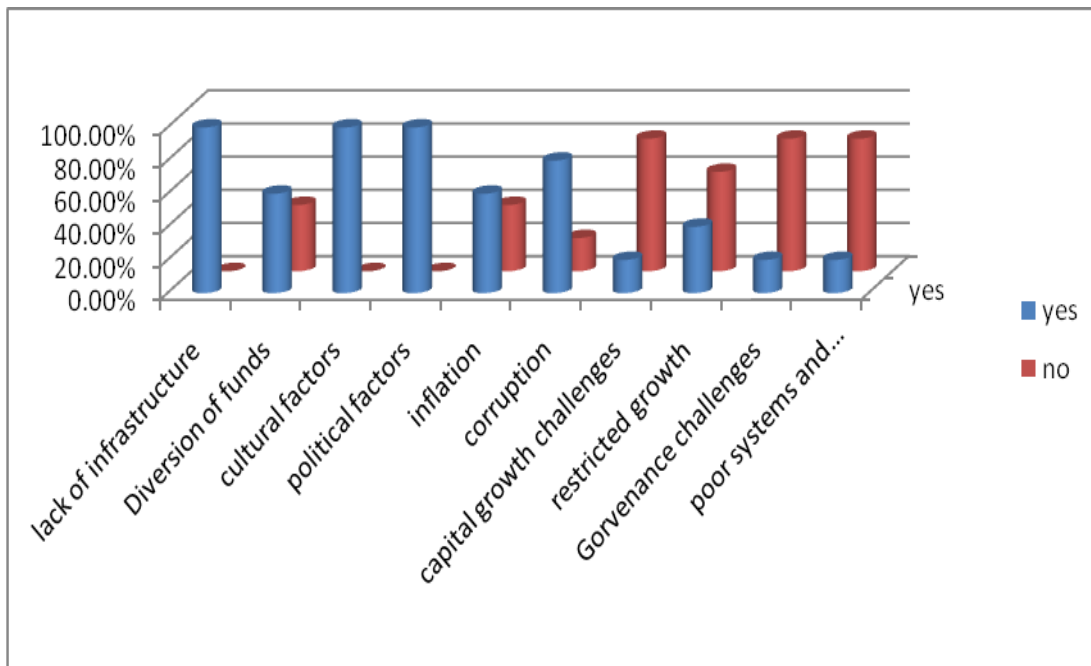
Source: Interview, 2015

As demonstrated in Fig 6, the respondent had his life enriched by ISALS. The respondent cited that his livestock production had been boosted by ISALS. Based on the researcher's observations, Livestock is perceived as a symbol of wealth in Chimanimani District. The increase of cattle made it easier for the clients to plough the fields to increase production and to lend those without to plough their fields in exchange for a fee for the services. The evidence above supports Sithabiso Gandure's postulation that the concept of ISALS has contributed to livelihood enhancement by contributing to food security as well as the protection and building of physical, human, financial and social assets<sup>62</sup>. This therefore implies that ISALS can truly ensure sustainable Agricultural development in rural areas.

---

<sup>62</sup> Sithabiso Gandure Internal Savings and Lending Model: Lessons from CARE Zimbabwe's Rural Micro Finance Programme. Case Study for the RHVP Regional Evidence- Building Agenda (REBA).

**Fig 8: Response by Major Challenges within ISALS clubs**



Source: Interviews

The study revealed that the challenges faced by the Trust were default of payments by the village banks because of poor sales for the period, sickness and/or bereavement of clients, seizure of goods. Other challenges faced by the ISALS clients were lack of planning ahead, spending on unnecessary things by clients (no priority setting on spending), multiple loans acquisition by clients, lack of effective record keeping by clients and diversion of business funds for other unspecified things.

#### **4.6 Summary**

To sum up, all the aforementioned statistics and explanations boils down to the fact that ISALS have positive implications and a very high potential to play a great role in enhancing sustainable Agricultural development in rural areas. The discussions and explanations portray that participating in ISALS program helped the majority of clients in Chimanamani District to experience increased household agricultural productivity, improvement in their access to durable and productive agricultural assets and food security thereby reducing their dependency on donors and other external aid. However, an estimate of less than 5 percent of the clients seemed to believe ISALS has brought more harm than good in their livelihoods. The researcher also came up with recommendations that will be noted in the next chapter

## Chapter 5

### SUMMARY, RECOMMENDATIONS AND CONCLUSION

#### 5.1 Introduction

This chapter seeks to sum up the analysis of the previous chapter and it outlines the general trend on how ISALS ensure sustainable Agricultural development in Chimanimani District. Also provided in the chapter are suggestions for further research and appropriate and applicable recommendations. This chapter which is a concluding part of this research also provides suggestions on measures that can be taken to ensure the success on Internal Savings and Lending Schemes in rural areas.

#### 5.2 Summary

This research' focus was ISALS in rural areas for ensuring sustainable Agricultural development and the case of Chimanimani District was used. The researcher wanted to evaluate to what extent do ISALS boosts sustainable agricultural production. The first chapter of the research presented the research a statement of the problem, study objectives, justification of the research, and limitations of the study. To keep the study logically flowing an outline of research questions was provided among other things

The second chapter examined related literature and various scholarly reviews on ISALS were thoroughly examined. In the third chapter, the researcher explained his data collection methods and why he used them. Methods such as interviews, questionnaires and focus group were employed to generate comprehensive results on the topic. The Data analysis chapter reviewed the relevance of ISALS in Chimanimani District. The methodologies mentioned in the research methodology chapter provided valuable information for data analysis and interpretation in chapter four. Evidence obtained enabled the researcher to answer research questions and achieve objectives. Results obtained were easy to analyse.

#### 5.3 Conclusion

The researcher noted the following on the implications on sustainable agricultural development.

- Household total agricultural production has increased as a result of the involvement of villagers in Internal Savings and Lending schemes.

- Productive and durable agricultural assets of the community have improved and the community's dependents on aid decreased after access to loans and savings through ISALS.
- Quantity and quality of food and livelihoods in general were enhanced after joining the scheme.

In sum, the outcomes of the research revealed that people's participation in ISALS enhanced in their productivity in agriculture and improvements on their livelihoods. In short, ISALS has the potential to powerfully effect people's empowerment and sustainable development. Although this ISALS initiative has produced many successes, it cannot be excluded from challenges that were faced by both the micro lending institutions and the clients. The clients faced challenges of high interest rates and stiff competition among others. Some clients complained that competition was stiff in the agricultural sector which led to lower profits. The micro lending institutions faced challenges that include high levels of non payers, little capital foundation and lack of infrastructure.

Such challenges brought out by the respondents should be addressed so as to obtain the smooth running of business on both parties. Cooperation is very important for business transactions to run smoothly. NGOs need to keep helping the micro lending institutions in terms of acquiring more skills in record keeping and management of cash.

#### **5.4 Recommendations**

The researcher could not help but note some loopholes concerning ISALS as a way of ensuring sustainable agricultural development. In this regard he was prompted to give recommendations that can help reduce some of the identified loopholes. The research noted that the ISALS concept is very important therefore the following observations and recommendations can be of great help.

- Information dissemination channels and training activities also need to be improved to equip individuals especially ISALS clients with the know-how of adequately using loans and savings.
- There should be at least two groups within a ward for the convenience of all groups of people in communities, including both the rich and poor so that no one will be excluded from the programme.

- The life span of the programme needs a review, if possible the programme should run up to at least eighteen months to ensure proper implementation and effectiveness.
- Micro lending institutions should also take advantage of the modern technology that is now available like the mobile money services for example Ecocash and Telecash. This way, transactions are made even if one is not in the vicinity and this improves the performance of the micro lending institutions
- Micro lending institutions should practice strict decision making such that both members and non members will stick to the rules and obligations set by the committee. By doing this, it can be assured that no rules will be broken because someone felt pity for a client. A constitution should be in place so as to guide the rules and obligations. This also demands respect from the clients as they tend to complain about many things involving the village banks. If strict decision making is practiced, it means that clients will not relax on repayment of loans; rather, they will be more serious.

## REFERENCES

Anyango E, CARE Malawi Central Region Livelihood Security Project Impact Assessment Report on Village Savings & Loans Component, 2005

Catholic Relief Services, Preparing Farmer Groups To Engage Successfully With Market, Study Tour Group Catholic Relief Services, Baltimore, USA, The Rural Innovation Institute, CIAT, Cali, Colombia, 2006

Central Intelligent Agency. World Factbook 15 July 2010

Christen R.P, Banking Services For The Poor; Managing For Financial Success An Expanded And Revised Guide Book For Microfinance Institutions Washington, DC, ACCION INTERNATIONAL, 1997

Cohen R et al, Microfinance, Risk Management and Poverty. Synthesis Report prepared for USAID, Management systems International, Washington, DC 2002

CGAP, Helping To Improve Poor Effectiveness In Microfinance Making Sense Of Microcredit Interest Rates, Washington DC. CGAP

Chambers R, Poverty and Livelihoods: Whose Reality Counts? Institute of Development Studies, Discussion Paper No. 347, January, 1995, NORGRIC.

Dale D, The Recovery and Transformation of Zimbabwe Rural Areas. Working Paper 4. United Nations Development Programme, 2009

Dane F.C, Research methods. California: Brooks Cole, 2009

Dooley D, Social research methods. 3<sup>rd</sup> ed. New Delhi: Prentice Hall, 2003

Dunn E 2001, Microcredit and Microenterprise Performance: Impact Evidence from Peru, Small Enterprise Development Journal, 2001

Ellis F, Rural livelihood Diversity in Developing Countries, Analysis methods policy Oxform University Press

Edgcomb E, 2002, What makes for effective microenterprise training? Journal of Microfinance, 2002

Fowler B and P David, Improving Access to Basic Financial Services and Agricultural Input and output Markets by Smallholder Farmers in Zimbabwe, 2011

Frank E, Rural Livelihoods and Diversity in Developing Countries, Oxford University press, 2000

Gandure S, Internal Savings and Lending Model: Lessons from CARE Zimbabwe's Rural Micro Finance Programme. Case Study for the RHVP Regional Evidence- Building Agenda (REBA).

Gonzalez-Vega, Claudio, Stages in Evolution of Thought on Rural Finance: A Vision from the Ohio State University Occasional Paper No. 2134, Rural Finance Program, and Ohio State University, 1994

Hugh A. and P Hobane, Impact Evaluation of Kupfuma Ishungu Zimbabwe, 2004.

Hugh A, Care International Village Savings and Lending Programme in Africa – Microfinance for the Rural Poor that works, Care International 2000

Hulme and Mosley P, Finance against Poverty, London, Routledge, 1996

Hashemi et al Rural Credit Programs and Women's Empowerment in Bangladesh World Development, 1996

IFAD, Supervision and implementation support of projects and programmes funded from IFAD loans and grants Programme Management Department Rome

Jon W, The Record of Microfinance, Electronic Journal of Sociology 2008.

Joint United Nations Programme on HIV/AIDS (UNAIDS) Report on the global HIV/AIDS epidemic, 2008

Kabeer, 'Conflict over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Development', World Development 2001

Leigh L et al Microcredit, social capital, and common pool resources, World Development, 2002

Lim D, Practical Challenges of Microfinance Institutions 2009

Mahabub H, Credit for the Alleviation of Rural Poverty: the Grameen Bank Bangladesh, International Food Policy Research Institute: Research Report 65, 1998

Meyer R.L, Microfinance, Poverty Alleviation, and Improving Food Security: Implications for India. In R. Lal, D. Hansen, N. Uphoff and S. Slack (Eds.), Food Security and Environmental Quality Security in the Developing World. Boca Raton, FL: Lewis Publishers. 2002

Mierce G, Group Lending , local Information and Peer Selection , Journal Of Development Economics , Group Lending , local Information and Peer Selection , Journal Of Development Economics

Miles L, Qualitative Data Analysis .Thousand Oaks,CA;Sage Publications.

Moore P and Hobane, Impact evaluation of Kupfuma Ishungu, Care Zimbabwe

Murdoch, P The microfinance Schism World Development, 2002

Murdoch, Jonathan, The microfinance promise, Journal of Economic Literature 1999

Murdoch, Jonathan, The microfinance schism, World Development 2000

Navajas S, Mark Schreiner, Richard L. Meyer, Claudio Gonzalez-Vega, and Jorge Rodriguez- Meza, Microcredit and the poorest of the poor: Theory and evidence from Bolivia, World Development 2000

Panneerselvam R, Research methodology. New Delhi: Prentice Hall.

Pretes M, Micro equity and microfinance, World Development 2002

Protracted Relief Programme, Newsletter October 2011

Roger A and Nall M, Using Focus Groups in Program Development and Evaluation. London: University of Kentucky, 2003

Rogaly, B. and S. Johnson. Micro finance and Poverty reduction. London: Oxfam (UK and Ireland) and Action Aid.fc 1997

Ritchie J and Lewis J, Qualitative Research Practice. London: SAGE Publication Ltd, 2003

Smith, Stephen C, Village banking and maternal and child health: Evidence from Ecuador and Honduras, World Development, 2002

Seke Rural Home Based Care, Mainstreaming HIV/AIDS into cultural Practises. An approach to address gender, HIV/AIDS to reduce vulnerability of women and girls in Seke District

The Joint Initiative for Urban Zimbabwe, Good Practise Review No 1 Trochim, W.M.K.Statistics in research. [Online].Available at: <http://www.socialresearchmethods.net/kb/index.php>. [Accessed 18 March 2012], 2005

Wegnes, D.A. Marketing research. New York: John Wiley and Sons.2005

Wydick W. Bruce, Credit access, human capital, and class structure mobility, TheJournal of Development Studies 1999a

Wydick W, Microfinance among the Maya: Tracking the progress of borrowers, Development and Change, 2000

Yunus, Poverty Alleviation Is Economics Any Help? Lessons from the Greameen Bank Experience, Journal of International Affairs



# APPENDIXES

## Appendix 1: Questionnaire for ISALS Clients

I am a student from Midlands State University undertaking Honours Degree in Development Studies. As part of my study I am carrying out a research study entitled, **Internal Savings and Lending Scheme for ensuring sustainable Agricultural development; A case of Chimanimani District**. Will you please respond to this questionnaire. The information you are going to provide will only be used for the purpose of this study and will be treated with strict confidence! Please do not write your name on the questionnaire.

### PART 1: BACKGROUND INFORMATION

Please indicate your responses by placing a tick [  ] in the appropriate box

#### 1.1SEX

Male [  ]

Female [  ]

#### 1.2 AGE GROUPS

16-25 [  ]      26-34 [  ]      35-44 [  ]      45+ [  ]

### PART 2

2.1 What are the reasons for you becoming a member of the ISALS club?

1<sup>st</sup> .....

2<sup>nd</sup> .....

2.2 What have you primarily used the loan(s) for?

1<sup>st</sup> .....

2<sup>nd</sup> .....

2.3 Did your Agricultural productivity change after club membership?

Deteriorated [ ]

Remained the same [ ]

Improved [ ]

2.4 What are reasons for positive changes?

Loan and Savings from ISALS [ ]

Market Gardening [ ]

Access to more land [ ]

2.5 After you became a member of ISALS, what is your condition on the following matters?

	<b>Decreased</b>	<b>No change</b>	<b>Increased</b>
1. Agricultural produce			
2. Productive and durable assets			
3. Dependency on Aid			
4. Quantity and quality of food			

2.6 Fill in the number of animals before and after you become a member of ISALS

<b>Animal Type</b>	<b>No. of animals before ISAL</b>	<b>No. of animals after ISAL</b>
Goats		
Cows		
Sheep		
Chickens		

2.7 What were the major challenges on ISALS?

High interest rate [ ]

Limited product [ ]

Too small loan size [ ]

Problematic group dynamics [ ]

## Appendix 2: Interview Guide

Date.....

No.	Name/Surname	Sex
1		
2		
3		
4		
5		

1. How did you become a member of your group?
2. How important are loans to you.
3. What have you primarily used the loan(s) for?
4. Is that what you intended to use loan(s) for? If not, what is the reason?
5. What are the income generating projects that ISALS participants carried out?
6. Are there any changes in the income and well-being of ISALS participant?
7. What is the interest rate charged/given on loan/savings? What is your opinion about that?

### 11 Key Informant Interview Guide

1. What is the objective of the Organization?
2. What are the main issues discussed at meeting by ISALS clients
3. What is the maximum and minimum amount of loan allowed for clients?
4. What is the attitude of the community in general and clients in particular towards the Organization?
5. How do you evaluate the participation of clients in the ISALS activities?

### Appendix 3: Focus Group Discussion Questions

#### List of Participants

Date.....

No	Name / Surname	Age	Duration of membership
1			
2			
3			
4			
5			

#### General Discussion Points

1. Discuss how you become member of the loan program.
2. Discuss the reasons why you become member of the ISAL program.
3. How will you describe status of your household before you joined the intervention?
4. Are there any changes in your household that can be attributed to the intervention?
5. What were/are the income generating activities you engaged in to make living before and after ISALS membership?
6. Are there any changes in agricultural production of the family? Discuss the changes (if any).
7. What is the response of the local community towards your activities?
8. What problems did you encountered since membership of the program?