

MIDLANDS STATE UNIVERSITY



APPROVAL FORM

The undersigned certify that they have supervised the student Valentine Breakfast's dissertation entitled: **Microfinance schemes and rural poverty alleviation in Zimbabwe. The case of Rotating Savings and Credit Association in Zvishavane** submitted in partial fulfilment of the degree programme of a Bachelor of Science in Politics and Public Management

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## **Abstract**

The problem this study seeks to address is the effectiveness of ROSCA microfinance informal model poverty reduction. Zimbabwe has been experiencing economic decline and this has led to the aggressive adoption of social safety nets like Rotating Savings and Credit Associations by Non Governmental Organisations to cushion the rural households. The researcher purposed this research to evaluate the extent to which the ROSCA model is effective in preventing people from falling below the poverty line. The researcher adopted qualitative research approach making use of questionnaires and interviews so as to get to understand how poverty can be reduced by the ROSCA model. The researcher also put forward some theories to explain this phenomenon. Findings show that the ROSCA model has managed to transform the livelihood of the rural people thus it is effective in poverty reduction in Chenhunguru Ward 13. Furthermore, recommendations on the challenges noted were suggested by the researcher which would help for the much effective implementation of the model by policy makers or organisations.

**DECLARATION**

I Valentine Breakfast do hereby declare that the work in this dissertation is entirely a product of my own original work with the exception of quotations and references which their sources have been acknowledged.

Signature.....

Date...../...../.....

## **DEDICATIONS**

To my grandmother Grace Ticharwa, thank you for all the unwavering support in seeing it that my needs were met. It would have not been a success without you. I hope this makes you proud.

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**LIST OF ACCRONYMS**

|          |   |
|----------|---|
| ROSCAs   | Rotating Savings and Credit Associations          |
| ESAP     | Economic Structural Adjustment Programme          |
| GMB      | Grain Market Board                                |
| GOZ      | Government of Zimbabwe                            |
| IGPs     | Income Generating Projects                        |
| NGOs     | Non-Governmental Organisations                    |
| SAPs     | Structural Adjustment Programmes                  |
| SLA      | Sustainable Livelihood Approach                   |
| SSN      | Social Safety Nets                                |
| ZIMASSET | Zimbabwe Agenda for Socio Economic Transformation |
| HIV/AIDS |   |

## **1.0 INTRODUCTION**

Zvishavane is a small mining town found in the Midlands Province. Many villagers in Zvishavane back then never took farming seriously for mining was their major source of income, by year 2000 the need for another alternative of income raised. Poverty was now on the doorsteps of everyone, those who practiced farming were now at a disadvantage because the Grain Marketing Board which enabled farmers to produce without external support was no longer buying. There was now a need for new alternatives for the eradication of poverty. Apart from the many policies put in place over the years to redress the issue of poverty, microfinance have also been a vanguard against which economic deficiencies have been dealt with by countries, international organizations and Nongovernmental organizations. The community saw the rise of income generating projects like Rotating Savings and Credit Associations (ROSCAs). This is an informal microfinance model where a group of people agree and come together to make regular contribution to a common fund which is given to one member of the cycle as a lump sum. This study therefore seeks to evaluate the effectiveness of such initiatives in Rural Zvishavane putting to consideration the key issues contributing to the resort to microfinance, its significance and ultimately assesses the relative outcomes of such.

This chapter will give a brief account of the background of the study discussing the origins of microfinance from a global view, other strategies that have been put in place for poverty eradication in Zimbabwe to suit the study. The chapter will also provide the problem statement of the study, the objectives and its significance. This chapter shall give a brief rundown of the methodology, the methodology, sampling techniques, delimitations and the possible limitations which may be encountered during the period of research. A chapter breakdown of the study will be given at the end of the chapter.

## **1.1 BACKGROUND OF STUDY**

The history of microfinance can be best traced from the Grameen Bank in Bangladesh. In the year 1969 a man named Muhammad Yunus obtained a PHD in economics and returned home when Bangladesh had just received its independence thus it was hard hit by a great famine. According to Yunus(2003), in the year 1974 over 80% of the people were living in serious poverty. Yunus discovered that what he had learnt in economics was different the contemporary situation in his country. Yunus started a research in a nearby village in his

country to learn from those who were poor the causes of their poverty. In his research he learnt that it was lack of access to credit that caused them poverty. The origins of microfinance began when he lent \$27 to a group of impoverished women manufacturing bamboo stools and told them to return it when they could afford it. Yunus was surprised by the returns and since then he never stopped lending money to the poor and he founded his Grameen Bank in 1983 to give small loans to the poor. Yunus has won prizes of coming up with the world's brilliant idea to development that would help cure the poverty in the world.

Developing countries have become increasingly aware of developing strategies so as to be able to eradicate poverty. Poverty eradication in Zimbabwe has had a long history due to its continuity. Drought has made it difficult for farmers in dry areas like Zvishavane to raise their productivity. There are figures which show the crude confession of the failure to alleviate poverty in Zimbabwe. According to the 2010 Millennium Development Goals (MDG), the report notes that there has been an increase for the people living below the Food Poverty Line from 29% in 1995 to 58% in 2003. Also the Zimbabwe MDG Report 2012 shows that poverty is found mostly in rural areas than urban areas where 76% of the households are considered poor and 38, 2% is for the urban areas. Individual poverty is 84, 3% in rural areas and extreme poverty is 30, 3% in rural areas compared to the 5, 6% in urban areas. Many efforts have been put in place to eradicate poverty since independence. The government of Zimbabwe adopted a policy of Growth with Equity in 1981. The policy was set out to achieve economic growth, rural development and the inclusion of small farmers into the market structure Balleis (1993). The policy was later on abandoned due to debt crisis and declining of trade leading to the adoption of the Economic Structural Adjustment Program (ESAP). This policy marginalized the poor, spiraling living costs and caused unemployment thus the burden had been put upon the poor who were now paying the costs of the economic reforms through user fees. The poor have also come up with strategies to alleviate poverty which include prostitution, gold panning, selling firewood and vegetables. In some circumstances, children are being forced to the streets to supplement family income giving a rise to many street kids according to Kaseke (1993).

The government, churches, NGOs and other institutions also went on to provide the worst affected rural majority with seeds and fertilizers. This is argued to have been a move by authorities capitalized to gain popularity or win elections Moyo (1995). Social Dimensions of Adjustment Program was introduced in 1991 to try and solve the ills of ESAP on the poor.

Poverty Alleviation Action Plan was implemented in 1994 with its main aim being to broaden the overall scope; coverage and impact of social programs UNICEF(1994).These policies have faced multiple implementation problems which have caused their failures.

Causes of poverty, malnutrition and inequality in the rural areas of Zimbabwe have been identified as lack of sufficient credit, infrastructure and social services. It has been noted that women have less access to land though they do most of the agricultural work Balleis (1993).A fast track Land Reform Program was introduced in 1997 and intensive land distribution was noted in 2004 and it took centre in the economy of Zimbabwe. The rural poor and communal farmers got about 87%of the land. Structural trends indicate a broadened home market founded upon a larger peasantry and the rural population as well as a larger black agrarian class on smaller farms compared to the pre 2000 situation Magaramombe (2003), Sachikonye (2003). It has been reported that in settled areas there is arbitrary firing of workers, lack of protective clothing, leave days and consideration to the special needs of women Parliament of Zimbabwe (2003). The Fast Track Land reform led to the imposition of sanctions on Zimbabwe by the West and the level of poverty started rising.

Zvishavane District has suffered continuous droughts; this has had an impact on the livelihood of the people, food security and agricultural productivity. Due to the continuation of the limited access to finance, there was an increase in the activities of microfinance institutions provisions to the rural people. From the land reform era microfinance institutions crumbled due to the unfavorable economy of Zimbabwe thus the currency began to lose value. The state of the country made the people indigenized methods which would sustain them thus the mobilizing of informal microfinance sources like Rotating Saving Credit Associations (ROSCAs), ISAL, borrowing from relatives and burial societies.

## **1.2STATEMENT OF THE PROBLEM**

Perennial poverty has continued to be a major problem in Sub Saharan Africa and in Zimbabwe. Despite all efforts that have been made or are currently being made to eliminate poverty in rural areas through the government, NGOs and International organizations, rural poverty still remains a major developmental challenge in Zimbabwe. Can microfinance really

help in poverty alleviation? Thus the study seeks to interrogate the effectiveness of the ROSCA informal microfinance model as a poverty reduction tool.

### **1.3 OBJECTIVES OF THE STUDY**

*The main research objective is:*

- i. To evaluate the effectiveness of ROSCA informal microfinance model in poverty reduction in Zvishavane

*Supported by the following:*

- ii. To evaluate the level of awareness for the programme
- iii. Evaluate the social, political and economic influences that determine participation in ROSCA
- iv. To establish the benefits by members from participating in ROSCA microfinance programme
- v. To make valid recommendations on the shortcomings noted which will be instrumental in the implementation of the program

### **1.4 RESEARCH QUESTIONS**

*The main research question is;*

- i. What is the effectiveness of ROSCA informal microfinance model in poverty reduction in Zvishavane?

*Supported by the following:*

- ii. What is the level of awareness for the ROSCA program?
- iii. What are the social, political and economic influences that determine participation in ROSCA?
- iv. What are the benefits from participating in ROSCA microfinance program?

### **1.5 JUSTIFICATION OF THE STUDY**

Rural poverty has continued to hamper the development of rural areas thus worsening un development. Many rural areas are continuously facing poverty and in serious circumstances it would lead to deaths. The research seeks to fill the knowledge gap in Zimbabwe about other approaches that can be used for poverty alleviation and harnessing development through their financial resources. Furthermore the research of ROSCA Microfinance scheme for poverty alleviation is important because it feeds into the domestic policy of the country ZIM ASSERT which supports the sustainable development based on indigenization, empowerment and jobs creation initiated by the use of the country's abundant human and natural resources. The study is of importance for the government in their policy making and the NGOs in their projects.

## **1.6 RESEARCH METHODOLOGY**

The main objective of this study is to evaluate the effectiveness of ROSCA microfinance in poverty alleviation. According to Kothari (2004:18) research methodology is the various sequential steps a researcher adopts in studying a certain problem. To produce a well balanced research qualitative research was largely used and quantitative in matters that are appropriate.

### **1.7 Research Design**

Research design according to Guy etal (1987) is a plan of procedures for data collection and analysis to evaluate a particular theoretical perspective. Research design is largely qualitative and quantitative in matters that are appropriate in this research. Convenience sampling was used in this research and it is largely geared towards targeting people who have information about the subject matter. Quantitative research refers to measures and counts of things.

Qualitative research according to Fossey etal (2002) aims to address questions that are concerned with coming up with an understanding of the meaning and experience of the social lives of humans. The researcher chose qualitative research because it describes and explains an individual's experiences, interactions, behaviours and social context.

### **1.8 Research Population**

Target population refers to the population with particular information about a particular study. The research's target area is Chenhunguru Ward 13 which consists of a population of 4093 people .However, the research will be paid much attention or targeted the people who

participate in ROSCA, those who do not participate, the councilor and the local leadership of the community.

### **1.9 Sampling**

According to the American Heritage College Dictionary (1993), sampling is defined as selecting a portion that is representative of the whole. Sampling involves two standard methods which are probability sampling and non probability sampling. It should be noted that the researcher used non probability sampling. According to Cochran (1953) using correct sampling methods allows researchers to minimise costs, efficiently conduct a research, gives great accuracy and greater flexibility. A researcher has a choice depending on the goals of the research when choosing the sampling method thus according to Mac Nealy (1999) probability sampling should be a researcher's choice when the research requires a certain level of confidence. Also Henry (1990) mentions' that non probability sampling is useful for researchers to reach certain objectives of the research.

Non probability sampling has advantages, according to Babbie (1990), it is a reliable way for researchers because it has little or no costs. Also according to Fink (1995) it is a method which is convenient when doing a pilot study, when ethical issues are at hand and when asking sensitive questions to people not willing to respond honestly. In this case, the research has issues to do with microfinance, poverty vulnerability and any other socio economic challenges may arouse mixed feeling in the respondents and some may not be comfortable with the subject. Thus the researcher tried to eliminate the possibility of such by using some non probability sampling techniques.

Therefore non probability sampling has various methods which are Convenience Sampling, Judgemental Sampling, Snowball sampling and Quota Sampling. However in this research, the researcher shall applied Convenience sampling

#### **1.9.1 Convenience sampling**

According to Henry(1990) convenience sampling relies on participants who are readily available to participate in a study. According to Babbie(1990) researchers have to find ways of procuring a sample that will represent the population they are interested in studying about. Thus in this study, the researcher chose convenience sampling because it is quite difficult to sample systematically or quotably all the individuals in the ward considering the time factor

and the willingness of some to comply. The researcher choose this technique because data collection can be done in a fast and short space of time.

### **1.10 Questionnaires**

Questionnaires are tools for recording and collecting information in an issue of interest. Open ended questionnaire were used particularly to gather information from those who are already benefiting from ROSCA. Open ended questionnaires will be used in order to guide the respondents from diverting from the subject as they are anticipated to present their many varying option though they will be allowed to express themselves freely. The advantage of using questionnaires is that a researcher can reach people who are widely scattered through postal or telephone.

#### **1.10.1 Interviews.**

Interviews were conducted, the researcher preferably used semi structured interviews in order to fully acquire accurate first hand information and they are also faster and can be easily analyzed. Semi-structured in-depth interviews were conducted in order to fully acquire first hand information. These interviews were undertaken to examine the impact of microfinance on poverty alleviation, economic well being and finally problems local communities have encountered. In-depth interviews are appropriate for interviewing people with busy schedules maybe they would need to get back to their farming activities because they are faster and can be easily analyzed. The in depth interviews also generated in depth information regarding the opinions about the study.

### **1.11 SECONDARY SOURCES**

According to Bhattacharyya (2003) secondary sources are documents or recordings that talk about information relating or existing elsewhere. The research made use of secondary sources; the sources are primary for the person who gathers them and becomes secondary for the other person who uses them for personal use. These were including books, speeches, newspaper reports, and academic reports among others. Using a wide range of secondary sources provides the researcher with multiple perspectives, exposing them to a variety of opinions and interpretations.

### **1.12 DATA COLLECTION**



The researcher designed questionnaires and interview guides for guidance in her research. The researcher concerning the field day made arrangements with the Runde Rural district Council (RRDC) and this was of no difficulty because she had once worked as a social services clerk at RRDC during her work related learning phase clerks. The researcher also approached the women affairs because they have ongoing projects of ROSCAS and ISALs in the District. The questionnaires mainly targeted the participants and none participants of the ROSCA program based on convenience Chenhunguru Ward13.

The researcher interpreted the questionnaires during their distribution for some respondents were not able to understand English for this would have brought difficulty in them answering the questions but the researcher made sure that she did not influence the responses while interpreting. The researcher met a woman who could not read or write but wanted to express her opinions about the questionnaire. The researcher took it upon her to write and read for the woman and wrote her views as she explained them.

The researcher collected the data using semi structured interviews. The researcher used semi structured interviews which allowed the respondent to freely say her views without being led on to the answer.

### **1.13 DATA ANALYSIS**

Data analysis is gathering, modeling, transforming data with the aim of highlighting important information, supporting decision making and suggesting conclusions Wellman etal(2005). The researcher took time to read the responses of the individuals and took down notes which she critically assessed and wrote down.

### **1.14 ETHICAL CONSIDERATIONS**

Ethics refer to the expected standards and behavior one should observe, In this research participation in the research process was on volunteer basis, those who volunteered did so on their free will and no amount of force was used on them. The researcher observed issues of confidentiality so as not to disclose what each individual would have stated. The research process took into consideration the different religions and cultures of the people of

Chenhunguru Ward and also used the language that they understand especially when it came to talking with the elderly people an amount of respect was adhered to.

### **1.15 DELIMITATION OF THE STUDY**

The study was limited to Zvishavane rural. Zvishavane is in the Midlands Province and located to the south of the country. It is bordered by Mberengwa, Chivi, and Shurugwi districts. Zvishavane district is subdivided into 29 wards and nineteen wards are communal while the rest are resettlement and urban. Zvishavane is a mining town with two big mining companies, Mimoso and Rio Zim and other small ones. Sources of water in the district include boreholes, rivers and wells. The adoption of Zvishavane has been motivated by the fact that in the past decade it has experienced continuing increases in temperature, recurrent drought, unpredictable rainfall patterns and many people remain in poverty because they still wait for aid from the NGOs, government and natural resources for livelihood. The study will be focusing on ROSCA microfinance as a tool for poverty alleviation.

### **1.16 POSSIBLE LIMITATIONS OF THE STUDY**

Like any other study, the researcher encountered challenges in conducting her research. Trust issues were a setback because some individuals were withholding information especially information like their marital status which they considered to be private. Also disclosure of information in terms of their financial positions and pot earnings was a challenge.

### **1.17 SUMMARY**

This chapter is an overview of how the research will be conducted. Research methodology shows the techniques which were used to gather data and the approaches employed. This chapter also highlights the Secondary sources such as documents and or recordings that give meaningful interpretation to the research under study. Thus these and others were used in order to amalgamate relevant data from different sources. In a nut shell this chapter focuses on the research design, instruments for data collection and sampling methods.

### **1.12.0 CHAPTER BREAKDOWN**

This study shall consist of five chapters that shall present various undertakings of the study. Chapter 1 shall give a brief background of the study, the aims and objectives of the study, the research questions, the significance of the study and the research methodology. Chapter 2

will provide a review of the literature done during the study and the theoretical framework. Thus the researcher shall read, study, compare, critique and replicate other scholarly works concerning this subject. Chapter 3 will consist of presentation of information and data analysis of the fieldwork findings. Chapter 4 shall present themes and recommendations of the study. The last chapter shall be summing up of the conclusion.

## **LITERATURE REVIEW**

### **2.0 Introduction**

This chapter reviews literature on microfinance, poverty alleviation and ROSCA. The researcher specifically used reports, textbook and journal articles among others to give, a detailed understanding of the subject. Literature review is important in dissertation writing as supported by Booteetal (2005) who highlights that a researcher cannot perform relevant research without understanding the literature in the field. Literature review is crucial to this study because it highlights researcher's knowledge about the particular field of study including, theories, key variables, phenomena and history regarding issues in the subject matter of ROSCA, microfinance and poverty alleviation. Also the researcher becomes fully informed of the other research groups and researchers in the field.

### **2.1 Microfinance**

The definition of microfinance according to Otero (1999) is the provision of financial services to the poor with low-income and self employed people who are poor.

#### **2.1.1 History of microfinance, a Zimbabwean Perspective**

According to Raftopoulos et al (2001) In the year 1960, a Catholic missionary brother Waddelove initiated the Savings Development Movement (SDM) in Zimbabwe. His major observations were of the economic changes taking place, which left women at the suffering end of the economy as the country industrialised. Waddelove realised he could instil a sense of responsibility amongst families with the women. The SDM has been focusing on mobilising microcredit on its group members mostly women and discouraging micro-credit and was established in 1963. The thought of having some means of savings amongst the poor in Zimbabwe, can be traced at the emergence of burial societies as early as colonial occupation after 1890. East Africa, Portuguese and Nyasaland were the migrants who developed Burial societies to give help to new migrants and help with funeral arrangements. The societies were between 10 and 100 and members paid joining and monthly fees with the leadership of Chairman, Treasurer and Secretary. Raftopoulos et al (2001) assert that the movement expanded gradually that is by 1998 it had almost reached 7,000 representing 100,000 in the entire country showing there was more need by the poor for the microfinance.

The savings club did not depend on external monetary help but generated the money among the club members and support through Self Help Development Campaign in 1960 introduced micro-credit schemes to members. The move was criticised by the founder of the movement arguing that micro credit will not benefit the members or the institutions because credit creates problems. These problems were corruption, lack of trust on donors who might use the money for personal use and attraction of rich urban people which was never the target. In 1968 a Savings scheme was developed which allowed members to borrow up to 10%. Raftopoulos et al (2001) also mentions that, after independence in 1980, numbers of savings clubs increase, from 5000 in 1983 to 7000 in 1998. Also the Ministry of Community Development and Women's Affairs helped with training of extension workers who were to help in formation of other savings. The government of Zimbabwe in 1986 set up its own credit and savings union called National Association of Cooperatives Savings and Credit Unions of Zimbabwe (NACSCUZ) formed under the Ministry of Community Development and Women's Affairs. After two years, however after NACSCUZ had no credible stature as a national body. In the 1990s microfinance was developed.

## **2.2 Poverty**

The main objective of this study is to evaluate the role of microfinance in poverty alleviation thus there is need to have an in depth analysis of poverty, its causes and analyze the gender

perspective of poverty. The World Bank defines poverty as whether households or persons have the adequate resources, or abilities to meet their needs. Thus poverty alleviation or reduction is efforts made to reduce the magnitude of poverty. The World Bank also produces global estimates of poverty; its global estimates were first presented in 1990 in its World Development Report. In the year 2010 they discovered that there are still an unacceptable numbers of people living in extreme poverty globally. The recent estimates in 2012 show that 12, 7 % of the world population is living at or below \$1.90 a day. In the developing world 2, 1 billion people lived on less than \$3.10 a day in 2012 thus many people are living with far too little.

### **2.2.1 Causes of poverty**

Poverty is one of the devastating diseases in developing countries, the rate of its killing is incomparable to any disease from the beginning of mankind, and it is worse than Malaria or HIV/AIDS which are claimed to be the highest killer diseases and this is according to Tazoacha (2001). According to Sida (2005) poverty is caused by shortage of knowledge, information related to market prices, issues of rights, availability of public services and health.

Francis (2006) entails that poverty analysis should consider mapping the institutional framework thus according to her, South Africa's causes of poverty stem from historical power imbalances caused by winners and losers in the transition from the era of the apartheid. These have not been generously modified by the designs of force which have developed subsequent to the move to democratic rule. Taking the long view, one can watch a movement in the class premise of the state, from the notorious organization together in the middle of gold and maize according to Trapido (1971), to one commanded by a collusion between modern, money related and mining capital in the 1970s and 1980s, with landowners assuming a less essential part. In the 1990s, there has been weakening of landowners, especially the little landowners who have been crushed out of the rising of financial costs, and rapprochement in the middle of capital and the little, African white collar class.

The discoveries of the study by Obadan (1997) showed that in Sub-Saharan Africa, the poverty is caused by deficient access to work opportunities, lacking physical resources, for example, land, capital furthermore, insignificant access by the poor to credit even on a little scale, insufficient access to the method for supporting country advancement in poor areas, insufficient access to business sectors where the poor can offer merchandise and

administrations, low enrichment of human capital, demolition of normal assets prompting natural corruption, diminished profitability, lacking access to help for those living at the edge and those misled by temporary poverty and absence of cooperation. That is, inability to draw the poor into the outline of advancement projects.

According to a paper prepared by the secretariat of the Sustainable Development Solutions Network (2012) causes of extreme poverty are several. They include adverse geographical condition thus they are land locked, mountainous, poor climate, no fuels and most vulnerable to floods, droughts and earthquakes. Also prolonged conflict and international sanctions cause poverty. Poverty is highly associated with conflicts, instability and violence. Countries like Afghanistan, Democratic Republic of Congo and South Sudan have been reduced through many years of continuous conflicts. Other countries like Haiti, Zimbabwe's economy have plummeted due to the imposed international sanctions. The paper also states that lack of access to land cause poverty, in South Asia the extreme poor have no land title and in Africa many rural people own too little land.

The causes of poverty according to one school of thought can be structural. According to Yahie (1993) the causes of poverty include structural causes and these are permanent and depend on factors such as location disadvantage and lack of skills. Thus the economy or institutional environments that sustain different groups can help trace the poverty of the people.

Also because of the continuity of poverty in specific territories, the behavioral point of view is strengthened by the way of life which is culture, which recommends that people make, support, and transmit to future eras of culture that fortifies the different social and behavioral inadequacies Rodgers( 2000)

### **2.2.2 Feminization of Poverty**

According to Godoy (2003) during the years 1980s, there was a group of third-world feminists who started to analyse poverty from a gender perspective. The group discovered a series of phenomena within poverty that pointy affected women showing that poor women were more than poor men and also that women suffered and that female poverty showed a tendency of increase, largely because of the rise in the number of female -headed households. An analysis was done by Buvinicetal (1994) which showed that female headed families indicate poverty. This was done through an analysis of sixty five studies carried out in Latin

America, Sub Saharan Africa, the Caribbean and Asia. The conclusion was that women headed families are over represented among the poor. Thus this set of phenomena came to be called the feminization of poverty.

Women and poverty was a theme at the First World Conference on Women held in 1975. A twenty-third special session of the General Assembly of the United Nations was called in 2000 on governments to minimise the number of women living in poverty and this was to be done by the implementation antipoverty programmes at national level. The United Nations system and the international community was urged by the Economic and Social Council Resolution 2000 to take joint actions in support of the national efforts to alleviate poverty, with particular attention to employment creation, work and the empowerment and advancement of women. This has been evidenced by the participation of most women around the world in income generating projects like ROSCAs with the support of the government and Nongovernmental Organisations.

According to the United Nations Fourth World Conference on Women in (1995), over 1 billion people in the world having women as the majority live in unacceptable conditions of poverty especially in developing countries. It was noted that feminization of poverty had become a clear problem in countries with economies which are in transition. Also the gender roles attributed to women and lesser access to training, power and education. There are indicators that capture gender inequalities and these include the measurement of the people who lack their own income, also measurement of the women thus their number for they indicate feminization of women and also the magnitude of the contribution of women in the form of unpaid labor.

Gender violence helps in analyzing poverty from a gender perspective. Violence prevents women from enjoying their access to labor markets. Violence is another cause of poverty thus it impoverishes people. Buvinicetal (2003) also state that the women who are victims of domestic violence are less productive in the workplace and this causes a loss in the national production.

### **2.3 Overview of ROSCAs**

ROSCAs are defined as a group of people who agree and come together to make regular contribution to a common fund which is given to one member of the cycle as a lump sum according to Bouman (1979).The individual who has been given the lump sum will lend it to

other group members through her monthly contributions. The member who receives the lump sum pays back the amount in further monthly contributions when her turn comes and this explains the name ROSCA.

**2.3.1 Awareness of ROSCAs**

According to a newspaper article by Nyakwawa (2016) in The Standard, a majority of Zimbabweans are members of at least one merry-go-round referred to as “ma round” or “ukuholisana” or known as rotating savings and credit associations. The ROSCAs are very popular and practiced in most parts of the world thus the information on the table below shows that many people are aware of ROSCAs in the world and most of the information was obtained from Ardener (1964).

| <b>Country</b> | <b>ROSCA Names</b> |
|----------------|--------------------|
| Borneo         | Kongsi             |
| Cameroon       | Djanggi            |
| China          | Hui                |
| Congo          | Kitimo, Ikilemba   |
| Egypt          | Gameya             |
| India          | Chit fund          |
| Korea          | Kye                |
| Nigeria        | Adashi             |
| South Africa   | Stokfela           |
| Scotland       | Menages            |

Figure;4.1

**2.3.2 Possible reasons why people participate in ROSCAs**

Different views have been put forward as to why people join ROSCAs, ROSCAs have been stressed a means to provide durable goods thus according to Anderson etal (2000) the issue of the early pot motive is the reason why people join do as to purchase durable goods. The social pressure model is also one of the reasons why individuals join ROSCAs and this was suggested by Ambec etal (2003).They argue that people are unable to resist the social pressure from the community thus they participate in ROSCAs to escape from the pressures.



They do this to challenge the income divisibility between relatives and these challenges the early pot motive

The household conflict motive is the other reason why individuals join ROSCAs according to Anderson et al (2003, 2009). Conflicts which are found inside the household cause individuals to participate in ROSCAs, thus budget constraints causes conflicts when it comes to budget allocation in the household for women care about consumption and having durable goods in the household unlike men. Women join ROSCAs to solve this house hold conflict without the consent of their husband most of the times.

Members join ROSCAs because of the insurance motive. The insurance motive stresses that the participants delay on taking the pot early because they consider ROSCAs as an insurance motive for they would need some money for emergency. Sandsor (2010) mentions that this only works when the other member who is next is willing to switch the pot. The other reason why people join ROSCAs is the need for a commitment when it comes to savings because most people have a problem of procrastination thus the ROSCA has a sort of legal binding or a commitment device. ROSCAs have access to good commitment mechanisms to those who have difficulties in committing according to Gugerty(2005). Depositing and withdrawals are characteristics of commitment devices because the depositing will have a fixed time frame and withdrawals are not easily acceptable.

Women have been noted to be the most individuals who participate in ROSCAs. According to Anderson et al (2000) they propose that participation in ROSCA is a strategy by the wife to protect her savings against claims by the husband for quick consumption. They got the argument from the interviews they held with the women from informal groups in Kibera thus they obtained the following responses; they join ROSCAs to save money because if they leave it home it will disappear, they cannot trust their husbands for they know that if they leave their money, the husband will take it and also women wanted to be in a group where they are free and can talk and laugh freely.

### **2.3.3 Characteristics and types of ROSCAs**

The major characteristics of ROSCAs include membership, contribution, transferability, the fund and enforcing mechanisms Membership is one of the major characteristics of a ROSCA, according to Ardener (1964) participants in a cycle of ROSCA could number from handful to several hundred. Members are selected based on either , age, occupation, culture, religion and

background of educational. Contribution is another characteristic thus contributions are the agreed amounts which are contributed in cash or kind. Transferability is mostly depended on the agreement by the members. The fund or pot is where the members contribute their fixes or agreed amounts though the amounts they receive during the cycle are not the same. ROSCAs use different Enforcing Mechanisms based on the establishment of the ROSCA. A social sanctioning mechanism is needed for a ROSCA otherwise it will not be sustainable as mentioned by Anderson et al (2009)

#### **2.3.4 Simple or Random ROSCA**

In a simple or random ROSCA, each member contributes a predetermined fixed amount to the pot. The contributions are fixed and everyone contributes the same amount and receives the same amount of money when his turn to collect arrives. By the end of the ROSCA cycle, everyone will have receives the total of their monthly contributions. Therefore there is no net gain or loss for any participant.

#### **2.3.5 The Consumer Durable ROSCA**

It mostly popular among women thus the organizer assembles a group of people who contribute the same amount of money to the fund. Instead of receiving money, participants receive physical good such as dish washer or grain mill that they would have agreed upon Shanmugam (1989). The organizer mostly obtains a discounted price for the goods in exchange for the guaranteed purchase of a certain number of goods in the coming months. Thus, Consumer durable ROSCAs participants can attain the purchasing power to negotiate goods at lower prices.

#### **2.3.6 Discounting or bidding ROSCAs**

They use bidding as determining the order by which participants receive the pot. The organizer receives the pot first. In bidding ROSCA a sequence of auctions determines the rank order. In the auction the highest bidder wins the pot and the price the winner pays is distributed among the other bidders. The format of a bid could be premium or discount Bouman (1995).

#### **2.3.7 Benefits of participating in ROSCAs**

ROSCAs can be viewed as mechanisms aimed at helping alleviate poverty, enabling the poor people to overcome poverty and ensuring a minimum living standard through providing

income support and the basic human services. According to an article by Christina (2012), informal savings groups provide economic benefits to their members through reducing pressures on free cash and also Enabling Access to Funds for Unexpected life events or large purchases. Reducing pressures on free cash is evident for in developing countries there is uneven cash flow and cash in hand is subject to pressure from relatives. Mostly women find it hard to control their money due to alcoholic husbands thus investment for the future use becomes difficult. ROSCAs allow members to be free from the pressures of their family members and they are able to commit their surplus cash towards future purchases.

Participating in ROSCAs has many varied benefits. It allows participants to have the purchasing power which is used at negotiating goods at a lower price. Accessing goods at a lower price allows households to purchase and save and on the goods

### **2.3.8 Problems associated with ROSCAs**

Bouman (1995) brings out the weak points associated with ROSCAs. The order of rotation is the crucial one thus a player cannot be sure of the time he will receive the fund and the turn might come at an inappropriate time. Also if it comes too early it might lead to his family begging for a share and if it comes late he might have lost an opportunity of a lifetime. Furthermore, the issue that only one member can win the fund does not suit issues of when all the members are in need of money for payment of taxes or school fees. The other issue is that a member gets one opportunity during the round and in the case of an emergency he has to wait until the next cycle thus the timing of when the fund is received is not always convenient to the member

The other problem which is associated with ROSCA is defaulting. A member can default in the middle of the round or when he or she receives the pot he then defaults, this inconveniences other members. Also since it has no legal backing the member does not receive any legal action. The funds may be used for another purpose which is different from the one agreed. This usually happens in consumer durable ROSCAs where members can agree to buy a durable good but when the money comes they will opt for the cheaper commodity. World Bank (1986) stipulates that ROSCAs funds may not be enough to reach planned investment opportunities. The other challenge is that most people do not have financial basis thus it becomes hardly for them to participate in ROSCAs

### **2.3.9 Possible Solutions**

Members who have regular capital expenditures can join many ROSCAs at a time; the Chinese men in Papua New Guinea were members of at least two Huis, a dead one and a live one. When the members of the dead Hui one have already received the pool in the live one they will not have received according to (Wu, 1974).

To meet small loan requests, members can form a non rotating fund from the extra contributions and revenues such as interests and fines. Borrowing from the fund will include a certain percentage which will make the fund grow. The other solution is funds from the first few rounds may be kept in a separate fund and not rotated to allow members to borrow. Also a small percentage from the early winners can be deducted and the deductions can be used for the loan fund or being distributed at the end of the cycle or leave it for the next cycle Bouman(1995).

Members can be prevented from defaulting if the member is sanctioned socially and is restricted from participating in any other ROSCA according to Ardener (1964). Also there is the issues of social pressure thus some members will tend to select their friends and relatives only and naturally relatives will be afraid of betraying one another.

According to Mushuku (2014) if the economic system of a country is unstable, members have to find a possible solution which is equivalent to an agreed rate. This is what happened in the years 2008 in Zimbabwe when the currency had lost value, people starting using United States Dollar and South African Rands so that members would get money which is just as valuable.

#### **2.4 Microfinance and poverty alleviation**

Rural poverty has been of increase due to the abandonment of rural development projects by the governments of developing countries. The end of the natural economic disasters in the 1980s forced governments to abandon commitments to rural projects according to Makumbe (1996). Due to this factor, the rise of income generating projects began including microfinance projects for the rural people.

According to Mushuku et al (2014)’’ access to microfinance helps alleviate poverty by generating incomes, creating jobs, allowing children to go to school, enabling rural families to obtain healthcare and empowering people to make choices that best suit their needs, as a result improving their livelihoods’’. Microfinance has saved low income households in urban

and rural areas where the governmental institutions have seemingly failed to keep up the growing population of Zimbabwe.

Rural agriculture has recently become vulnerable to drought, cyclones and diseases, looking at Zimbabwe it were once referred to as the bread basket but this has changed which means other nonfarm alternatives are needed to fill the gap. Microfinance's importance in poverty alleviation is evident in the study by Mcnelly et al (1998), the study showed that there was twice increase in non farm income for participating women than none participating.

According to an analysis of the effects of microfinance on poverty reduction in Canada done by Murdoch et al (2000) Microfinance is an instrument that has proven to be effective and powerful penetrating to the poorer strata of the society. Also according to the school of thought, microfinance is related to the millennium development goals which show they have a positive effect on poverty alleviation. Ramakrishna (2001), benefits for the poor in terms of the progress of the economy and social empowerment through Self Help Groups have far outpaced benefits from other rural development projects.

A survey was done in Bangladesh in 1998 and 1999 to give conclusions on the fighting poverty with microfinance. Khandker (2001) indicated that microfinance participants did better than the non participants thus the poverty level was lower for participants'. According to Pitt et al (1998) they discovered that the three micro finance institution groups in Bangladesh increased consumption of poor household. The increases were higher for female borrowers than for male. This shows that microfinance can really benefit the poor.

Hume et al (1996) in their research found out that poorhouse hold are non beneficiaries of microfinance and non poor borrowers are the only ones who can enjoy the benefits. Also those with lower incomes below the poverty line have less incremental payment after getting microloans.

According to a study by Gebru et al (2011), microfinance has increased the number of income of households in terms of nominal and real income. The employment opportunities created is encouraging following microfinance use by clients mostly in the form of self employment and family employment. Microfinance has improved savings of the households through letting access to saving services and increasing household income out of which they can use to save. After joining the microfinance programs, mean monthly expenditure of the respondents has increased in food, clothing, housing, furniture, service items and health.

According to Swope et al (2010), there are five arguments against microfinance in poverty reduction, which are heavy debts by poor families may be created through borrowing, there is a potential of microfinance of being harmful to women, it is not universal in application, financial sustainability is rare in microfinance and the poorest of the poor are not reached by microfinance.

According to a Technical Paper prepared by Stanculescu et al(2011) microfinance and agriculture are the key elements of poverty reduction in countries like Uganda but however, in 2001 it was estimated that of 500 savings and cooperatives in Uganda only 60 were functional. There are more than 1,000 Savings and credit cooperatives in East Africa and most are characterised by corruption, mismanagement and that has had an effect of their reputation which has led to the collapse of many of them. Also the fact that the savings lend out their savings and capital has led to frequent liquidity management problems, and because most members are net borrowers the interest rates are generally kept too low.

The scholars showed a general consensus that participating in microfinance reduces poverty. The findings showed a gap on that there is less literature on microfinance and its impact on poverty alleviation in Zimbabwe, thus the study aims to attain more knowledge on the issue.

It is therefore clearly noted that literature that specifically targets Zvishavane is not readily available hence the gaps found in this literature review will be a stepping stone for this particular research which seeks to evaluate the impact of ROSCA microfinance model in poverty alleviation. The fact that poverty alleviation strategies or microfinance programmes have been viewed as the solution of rural poverty, some information has been said about their unsatisfactory work. It is however, of importance to point out that although they bring relief to the vulnerable, unemployed and the poor, the deepening poverty in rural areas has resulted in them losing credibility in the social circles hence the need for them to be reviewed. It is therefore incumbent upon this research to evaluate the effectiveness of ROSCA microfinance in poverty.

## **2.5 THEORETICAL FRAMEWORK**

In making an inquiry into the impacts of Microfinance on poverty alleviation and issues surrounding the subject, this section will seek to explore the various theoretical approaches that have been availed in giving explanations to the very existence, behaviour, connotations and opportunities of Rotating Credit and Savings Association. Hence the Empowerment and

the Sustainable livelihood theories shall be discussed in brief as they guide the concept of microfinance.

Microfinance as a tool for poverty reduction can be best described by the empowerment theory among others. According to (Adams 2008), he defines Empowerment as the capacity of individuals, groups to take control of their circumstances, exercise power, achieve their own goal, and the process by which, individuals are able to help themselves and others to maximize the quality of their lives. Participation in ROSCA maximizes the quality of life of the individuals by their access and control to economic resources enabling them to make decisions that can change their individual and household lives. By organizing themselves into ROSCA groups the poor are taking part in their own development

A change in human behavior and in social structure results in empowerment. Community empowerment potential exists in every environment as well as potential for individual empowerment exists in every person. In every process of individual empowerment exists a potential of community empowerment according to Rappaport (1984). Participating in ROSCA individually empowers people and this will influence community empowerment leading to the developing of the nation.

Sustainable livelihood approach or theory can be used in analyzing ROSCA microfinance in poverty alleviation. Sustainable livelihood prioritizes on the development from the perspective of poor people. According to Scoones(1998) the definition of sustainable livelihood is that a livelihood has capabilities ,assets including both material and social resources and activities required for a means of living. The livelihood approach has three insights into poverty which are the realization that economic growth cannot be essential for poverty reduction alone but it would need the poor to take advantage of the economic opportunities. In this research these economic opportunity is the participation of the poor in ROSCAs. Secondly it was figured that it is not only the issue of low income that affect the poor but there are other issues like bad health, illiteracy, lack of social services and feeling powerless. Thus the ROSCA microfinance model is an empowering tool that enables participants to teach each other about starting businesses and advising each other especially women on issues affecting them domestically like family planning or domestic violence issues. Thirdly the framework allows for formation of policies and projects by the poor since they know their situation. Thus the ROSCA microfinance model initiates for the formation of

projects like poultry, basket weaving so as to get money for the rounds and it also allows for the formation of a constitution by the members with rules which best suit them.

According to Chambers et al (1992) strategic livelihoods possesses three principles which include possession of human capabilities for example educational skills, health and psychological orientation, access to tangible goods and availability of economic activities. The ROSCA model leads to financial independence and existence of income generating activities to finance the model. ROSCA model as a livelihood strategy should pursue these attributes. The other principles of the theory are that it is people centered, responsive and participatory, multilevel, conducted in partnership dynamic and above all has a commitment to poverty reduction. The ROSCA model is people centered for it realizes the social environment of people for in rural areas, the rotating savings are based on small savings which are affordable by poor people. ROSCAs are responsive and participatory for they allow the poor people to be the key actors addressing their livelihood priorities. The theory dictates that for an intervention to bring changes to the livelihoods of the community, it must result in sustainable changes in the five capital bases (human, Natural, Financial, Physical and Social) in a sustainable way to be resilient to stress and shock. The process and structures should address the laws, policies, culture and institutions as these are known to be the factors that affect sustainability of a livelihood outcome. ROSCAs redress the patriarchal culture which forced women to be depended on men always thus participation in ROSCAs empowers women to be financially independent. This study according to the theories is base on whether ROSCA is effective in livelihood changes of income, living standards, reduced vulnerability to livelihood challenges, improved food security and enhanced natural resources base.

### **3.0 CHAPTER 3: DATA PRESENTATION AND ANALYSIS**

#### **REVISITING THE ROSCA MODEL IN CHENHUNGURU WARD 13 WHETHER EFFECTIVE OR NOT?**

##### **3.1 Introduction**

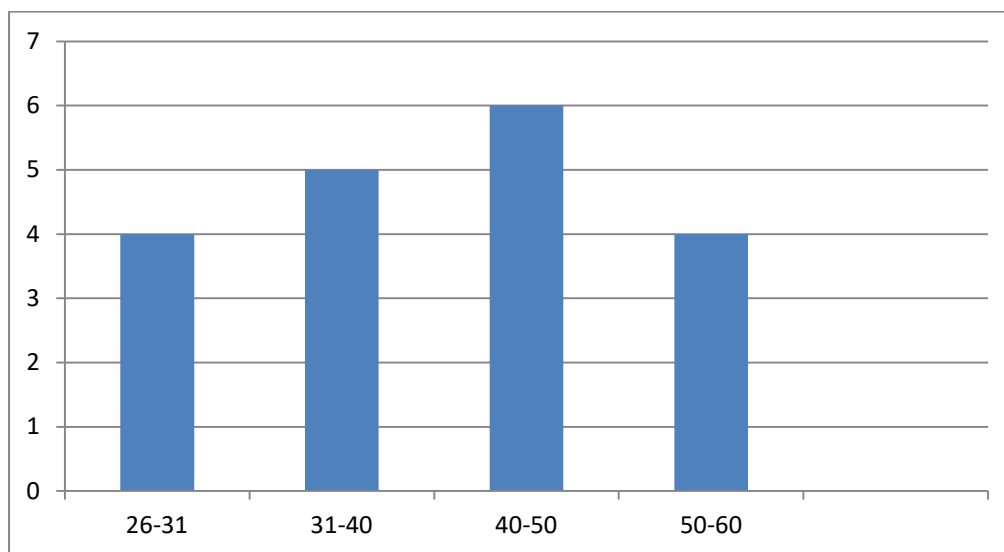


This chapter mainly deals with the presentation of both descriptive and statistical data gathered by the researcher in the field work. The researcher shall present the data collected from questionnaires and interviews consulted during the field work. The researcher shall therefore with the aid of graphs, frequency tables, pie charts, and digital images try to present some form of analytical views concerning the implementation of ROSCAs in Zvishavane Chenhunguru Ward 13 .It is also of importance to note that this account shall link the research questions or research objectives with the findings.

### 3.1.1AGE

The researcher managed to interview 20 participants in Chenhunguru Ward. Their ages ranged from 23 to 70 years. Two participants were between the ages of 23 to 26, two other participants were between 26 and 31, four participants were between 31 to 40 also six participants from 40 to 50 and the other six between 50 to 60.

**The figure 4.1depicts a pictorial representation of the ages of the participants**



Source;Field Research2016

### 3.1.2GENDER

The researcher managed to acquire views and opinions of 15 females and 5males through questionnaires over a period of one week from Chenhunguru Ward 13. These were distributed to ROSCA participants and non participants. This was done because ROSCAs are designed to cater for both genders.

| <b>GENDER</b> | <b>FREQUENCY</b> | <b>PERCENT</b> | <b>VALID PERCENT</b> |
|---------------|------------------|----------------|----------------------|
| Males         | 5                | 25             | 25                   |
| Females       | 15               | 75             | 75                   |
| Total         | 20               | 100            | 100                  |

FIGURE;4.2

SOURCE; FIELD RESEARCH 2016

### **3.1.3 GENDER AND MEMBERSHIP**

The researcher discovered that of the 22 members in the *Pisa pisa* ROSCA group only 4 members were men. The responses to this set up was that most men work in town and due to the patriarchal society domestic tasks and house hold tasks are perceived to be for the woman and this demands the need of finances which has led women to join ROSCAs. This shows that micro finance programs have a greater impact targeted on women for they take care of the household needs mostly.

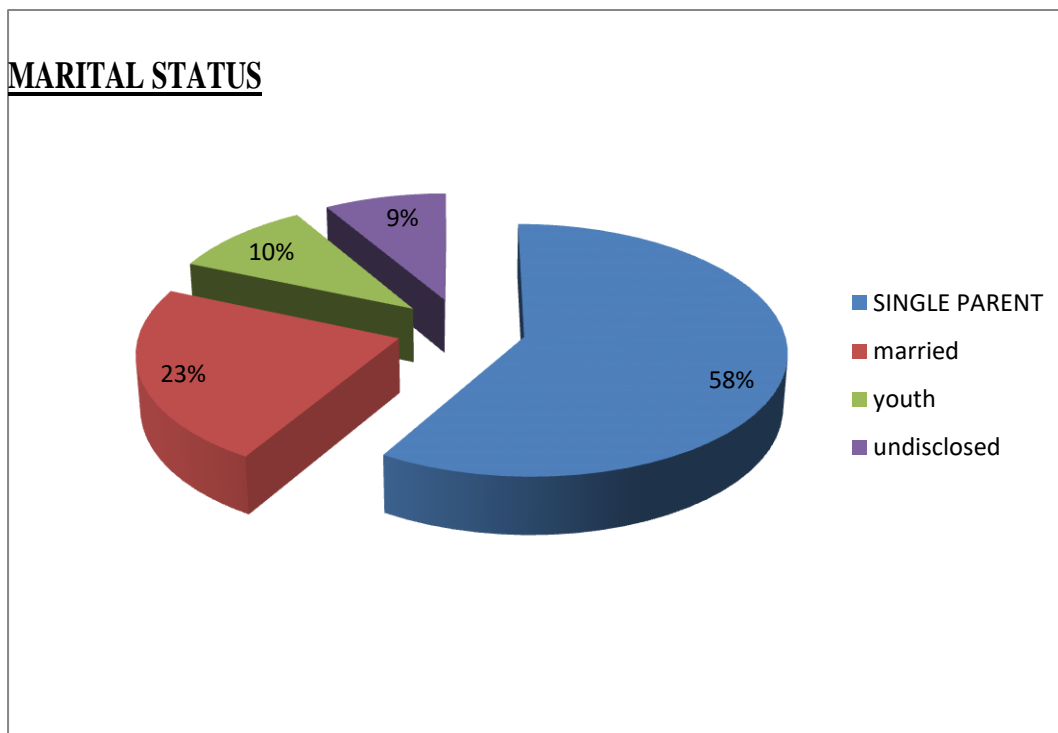
Men were also said to be reluctant from joining ROSCAs because most of them because of the gold rush in Zvishavane spend most of their times in illegal mining. The men are of the opinion that the money obtained from ROSCAs takes too long unlike in mining. Some men have the mind that for a man to join “women clubs” it will be showing that he is weak for there are many muscular jobs for men.

The introduction of the microfinance program by the NGOs has also sidelined men, thus the program came as an empowerment tool for women in rural areas. The organizations were trying to fight the prevailing issues of child marriages and prostitution by empowering women and gals to work on their own.

Also the researcher discovered that there are a larger number of female headed families who have a number of dependents to take care of. Thus women join these ROSCAs to alleviate or reduce poverty in their households.

### **3.1.4 MARITAL STATUS**

In addressing this question the researcher discovered that the rural society is characterized by early marriages and pregnancies. This has highly contributed to the increase of poverty levels to women especially. Most of the participants in ROSCAs are single women followed by married women and there is a smaller percentage of the youth. Only 8% of the respondents did not disclose their marital statuses for reasons unknown. However, the researcher anticipated that they were too shy to disclose such personal information maybe in the fear of being judged.



Figure; 4.3 Source; Field Research 2016

### **3.1.5 EDUCATION LEVEL**

In measuring the effectiveness of ROSCA microfinance on poverty alleviation, the researcher felt the need of knowing the educational literacy rate of the respondents. This was viewed as directly linked to the issue of poverty so as to find out if illiteracy was one of the causes of poverty. The findings showed that most of the respondents have had the privilege to attain some form of education ,they reached different levels ,some grade seven, some had the Zimbabwe Junior Certificate ,a few had gone up to Advanced level with two others who had degrees. The research also showed that most women were deprived of education because the

literacy rate was higher to males. Thus the researcher came to conclusion that rural poverty was not caused by illiteracy but rather the economic decline of the county.

**Fig;4.2 LEVEL OF EDUCATION REACHED BY PARTICIPANTS**

| Gender       | Grade seven | Zimbabwe Junior Certificate | Zimbabwe Ordinary Level | Advanced Level | Degree   |
|--------------|-------------|-----------------------------|-------------------------|----------------|----------|
| Male         | 3           | 2                           | 5                       | 2              | 2        |
| Female       | 1           | 2                           | 2                       | 1              | 0        |
| <b>TOTAL</b> | <b>4</b>    | <b>7</b>                    | <b>7</b>                | <b>3</b>       | <b>2</b> |

**Source;Field Research 2016**

### **3.1.6Employment Status**

The study revealed that there was high level of literacy in the district but however, a few individuals had formal jobs. Most of the individuals survive through farming, keeping chickens, knitting mats.

### **3.1.7 Awareness of ROSCAs**

The researcher discovered that of the 20 respondents, 14 had the knowledge about the ROSCAs and only 4 did not have the knowledge whilst the remaining 2 did not respond to the question. The data collected showed that the people in the ward had knowledge about the ROSCAs and those who were not participants expressed their need of joining the group or association. The ward has two ROSCAs which are functioning well is the Pisa pisa group and the Kupfumamaoko group.

### **3.1.8 ROSCAs In Chenhunguru Ward**

According to the research findings, Chenhunguru Ward has two min functional ROSCAs which are Pisa pisa and Kupfumamaoko. Pisa pisa is comprised of 22 members in the group,

4 of which are men and they are 2 groups within the main group with 11 people each but they have one committee. The group has been functional for 6 years now. Kupfumamaoko consists of 6 members who are women and it has been functional for 2 years now. The groups started as a result of the Poverty Reduction Program introduced by AFRICARE in 2011. The members are selected on the basis of trust. The ROSCAs have a chairperson who is appointed by the group members. The appointment of the chairperson is based on her commitment and years in the association. The association has a constitution which is drafted by the group members for the checks and balances of the group members. The constitution comprises of the rules like the members are not allowed to borrow outsiders unless there is a need, the members when they receive the pot should buy the agreed goods, also the member who has received the pot is not allowed to spend the night with the money before going to purchase the required goods and also the constitution allows the changing of the chairperson. The participants of the ROSCAs meet once a month thus members meet every month end for the round which they call *mukando or fushai*. The person who receives the pot at first is not supposed to use the money. The member who receives the pot borrows the other group members a certain amount and the amount will be returned with a 10% profit. The group members can even consider outside borrowers but for outside borrowers they would return the money 30% profit. The cycle goes on until it has reached the third person and the money is shared between them and the cycle rotates again. The duration of the savings are based on the number of the people in the group. Weekly or monthly ROSCAs are not found in the area this is so because most of the members get their funds from selling vegetables, chickens and these sells are done on credit which is usually settled on month ends though there are a few who go to work but they receive their salaries on month ends.

### **3.1.9 REASONS FOR PARTICIPATING IN ROSCAs**

The study revealed that individuals join ROSCAs for different reasons. The participants revealed that they join ROSCAs so as to be able to fund their small businesses for they can attain funds in a lump sum. One of the participants said that

*I joined Pisa pisa group because I wanted to start my own business but did not have anywhere to get the funds. I could not get a loan from the bank because most of the banks want collateral maybe in form of cattle and because of the drought stricken land we live in we have few cattle and some people do not even own cattle for some of them die because of hunger.*

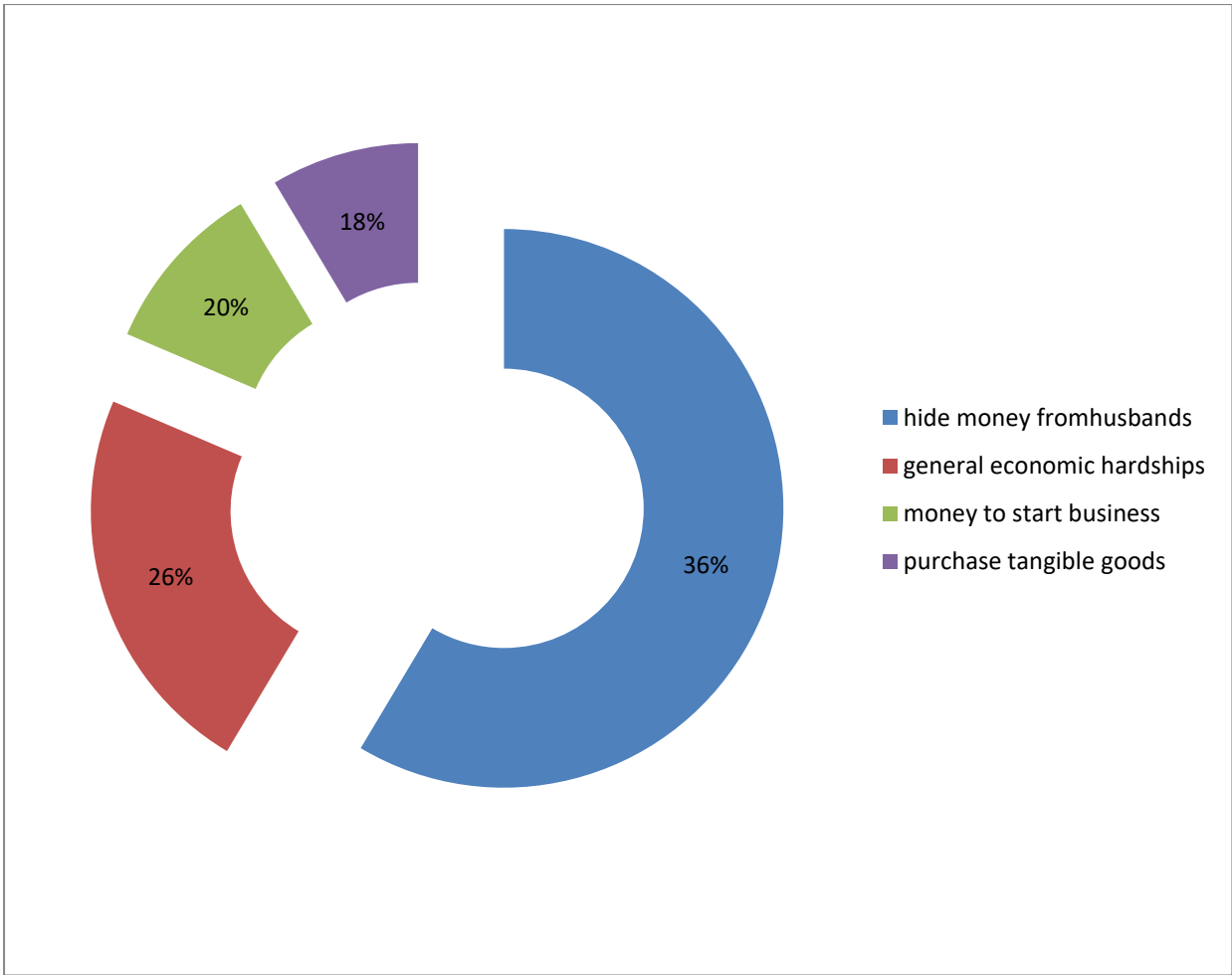
Most of the women responded that they join ROSCAs so as to hide money from their drunkard husband. Some of these women said keeping money in the home is not safe for it will end up being taken by their husband whilst they have not done anything tangible with it.

This is one of the responses from the other woman;

*Joining ROSCA was a decision I made because I was always having fights with my Husband because of money, he whenever he came home drunk he would ask me for more money for cigarettes and at times if I refuse he would end up beating me up.*

The other respondents mentioned that they joined ROSCAs so as to be able to fend for other economic hardships like school fees, acquiring health facilities and food. Some women joined these groups because they wanted to empower themselves since most of them are housewives they had gotten tired of being depended on their men. The few men who had joined the group responded that they had discovered that women were advancing themselves in terms of finance and in their homes whilst they thought these informal savings were only for women. Some respondents said they joined ROSCAs so as to be able to buy durable goods.

#### **Fig 4;4 REASONS FOR PARTICIPATING IN ROSCAs**



Figure;4.4Source; Field Survey 2016

**3.1.10 BENEFITS OF PARTICIPATING IN ROSCAs**

The main objective of this study is to evaluate the effectiveness of ROSCAs in poverty alleviation. In Chenhunguru ward the researcher found out that poverty is measured in terms of lack of access to basic needs like food, shelter, domestic animals , clothes and health services. Most women headed families were said to be poverty stricken because there would be no men to fend for the family. The table below shows characteristics of a poor person and a rich person and the difference has been brought about by participating in ROSCAs

| VARIABLE | POOR   | RICH  |
|----------|--|---|
| Shelter  | No proper shelter, it is built of pole and dagga | Well thatched shelter and some have brick houses with |

|                         |   |   |
|-------------------------|---|---|
|                         |   | zinc or asbestos roofs  |
| Food                    | Cannot afford two meals per day and do not have a granary for stocking food   | Adequate and excess food in the granary   |
| Domestic animals        | Does not own any livestock  | Owens cattle, chickens and goats and  |
| Health                  | Cannot afford health fees and there is malnutrition especially in children due to lack of balanced meals                                | Can afford health fees and proper meals for the family thus they have good health         |
| Agricultural production | They have poor or no harvests   | Produce enough to feed the family   |
| Cell phone              | none  | Own one   |
| Education               | Children drop out of school due to lack of school fees and for those who go to school they do not have proper uniforms and school shoes | Children do not drop out of school and can go as far as Advance level and Tertiary level. |
| Household furniture     | Does not own a bed, sleeps on mats, they have less or no furniture,   | Owens beds, kitchen units and wardrobes   |



|                   |                                     |  |
|-------------------|-------------------------------------|--|
| Farming equipment | Owns one hoe or borrows from others | Owns scotch carts, wheel barrows, ploughs and several hoes |
|-------------------|-------------------------------------|--|

**Fig;4.3 Source; Field Reserch2016**

The responses from the participants and the research findings in terms of the benefits of ROSCAs showed a general consensus that ROSCAs have significantly reduced poverty. Most of the individuals have been members of the ROSCAs for more than 4years and they have seen significant changes in their lives.

ROSCAs have managed to improve the livelihood of the people, of the 20 individuals interviewed only 15% did not agree with this aspect. Of the 15% that did not agree with the poverty reduction aspect ,the researcher discovered that it was because of the fact that they had just joined the ROSCA and some of them were not members and were not aware of the happenings of the program The researcher got responses that ROSCAs have helped the respondents in income accumulation, the participants said that due to the economic hardships facing the country, there has been closure of industries and those few who are still in jobs earn very low salaries which are not enough to cater for the whole family. Thus ROSCAs have managed benefited the participants in poverty reduction.

ROSCAs have enabled participants to acquire household furniture and build houses. Those individuals who have been members of ROSCAs for more than 4 years stated that the rounds have allowed them to build houses; about 30% of the participants had build houses with the ROSCA money. Since 2011 they bought goats for each member, they moved on to buy household properties and cattle. As of 2015, 5 people bought cattle, 5 built house and 4 bought ox drawn carts for themselves from the group savings. In an economy which is hard like Zimbabwe it's difficult to purchase domestic animals but the Pisa pisa group is doing it. Most single headed families especial women headed families agreed that ROSCAs have helped in poverty reduction in their homes. One of the women said the following

*Pisa pisa came especially for us women who do not have husband, the community has always labeled us as the poverty stricken group but pisa pisa came and swept the poverty from our door steps, we can now be noticised in the society as human beings for we do not go from house to house begging as we used to. It is not good for any woman to go about asking for every little thing from mealie-meal to relish hence women must work.*

Members have managed to purchase tangible goods for their homes. Thus this group practice the Consumer Durable type of ROSCA, the members agree a certain amount of money and they would use the fund to buy the agreed goods. Most women favor this type of ROSCA because they do not want to carry money to their homes in the fear of their husbands. The women hold celebrations whenever an individual buys tangible goods. This is the response from the other participants

*With just four months in the group, I have managed to purchase my own television and a wardrobe from the Pisa Pisa fund. Not only that during the celebrations when I had purchased these goods, the other members celebrated with me by giving me money as congratulations. The money reached up to \$600 and with that money I used it to buy the remaining building materials for the house I am building.*

Some of respondents noted that by joining ROSCAs they have managed to attain health facilities. Most of the participants of ROSCAs are women and most women suffer from high blood pressure, sore legs and they also need family planning pills. The participants stated that the rural clinic is far away from them thus there would need money for transport if they are old people for they treated freely but for others they would need money for bus fare, for the clinic card and money for the drugs. Thus joining ROSCAs has enabled the individuals' access to financial resources leading to their access to health facilities.

Illiteracy can cause poverty but in this ward the members of the ROSCAs stated that their children have been going to school and some have managed to take them to boarding schools. The challenges of lack of finance have been dealt with by the access of funds through ROSCAs. Some of them especially widowed women stated that when their husband died it had been hard for them to take their children to school because they did not have any source of finance and even borrowing was difficult for them for they could not repay the debts thus they thanked Africare for teaching them to work with their hands and introducing them to rotating savings.

The other social benefit that ROSCAs have come with is that some members of ROSCAs are health workers thus respondents stated that in their meeting they allow subjects like HIV/AIDS to be discussed. This has helped especially young women to prevent themselves from the diseases. Also this gives them collective responsibility of taking care of others' health issues.

The members also highlighted that there has been improved access to food security. This is so because they can now manage to borrow money to buy seeds which has improved their

agricultural production. Some even said their meals at home have changed since they have nutritional gardens

The ROSCAs have also benefited the community at large thus the respondents agreed that due to the many gardens there is now availability of commodities for most people are into buying and selling. Also some women stated that issues of gossiping and food theft have decreased for people are now always busy trying to look for money to put in the round and almost everyone is agricultural productive.

Poverty is a state which can lead to the deprivation and exploitation of an individual thus many women were victims of domestic violence. Issues of domestic violence have decreased in the home for it is a fact that money is a root of all evil. Most women agreed that most of the violence in their homes was caused because many of their husbands would refuse to give them money. They are now happy because they have now been empowered through working on their own they are the ones who now give their husband money. One of the respondents women said her husband now respects her because he knows she now earns more than him thus this has helped in bringing peace to the community.

The community has also benefited from the participants of ROSCAs thus the Councilor applauded the members for they had taken upon themselves to close potholes and gullies. They have repaired their roads so as to make transportation easier because they have been selling their cabbages and vegetables to supermarkets in town thus there is need to make the area accessible to the transporters.

Access to communication has been improved. Most of the members now own cell phones and this has made their businesses easier. The group members also said they can now access eco cash and tele cash also they are making use of Ecosave so as to save their money. One of the elderly women was very happy because she now owned a cellular gadget for her this was God's doing to move her from poverty, she mentioned that

*The Lord has been so good to me, who would have known that today I would own a cell phone, we always thought these were gadgets for people with educated children not us the poor ones. But today am using this expensive gadget to call my uneducated children.*

Other members mentioned that they were very happy for the days they used to sleep on the floor were long gone, now they sleep on their own beds like people who live in the city and this was made possible by joining *mikando*.

The introduction of ROSCAs to the community has opened up more livelihood availability options. The women opened up that before these projects they used to depend on farming

mostly which was not productive due to their dry lands but ROSCAs opened up options like nutritional garden, poultry and buying and selling.

### **3.1.11 CHALLENGES FROM PARTICIPATING IN ROSCAs**

Participating in ROSCAs has a number of challenges that come with it. This section will present the challenges or setbacks that affect the progress of the project.

During the research the researcher got to know challenges that face the participants. The participants stated that they face challenges of defaulting of members in the middle of the round. The respondents mentioned that this problem affects them a lot for some people might default after they have been given the pot. Even though the group has a constitution the constitution has no legal binding thus at times they cannot take any legal action to the defaulting member and this becomes a loss to the group for they will have to start the round afresh and the money lost will be difficult to recover.

The other challenge is that of repayment, thus those who take loans especially the external have problems of repayment. These loans with the income interest rates are the ones that determine the sustainability and the failure of the group. About 15% of the members stated that they incur difficulties in repayments because the due date might come when they would not have made much profit in their income generating businesses.

The other difficulty is in accessing markets for the goods that they sell. The members expressed that at one time their buyer of cabbages failed to come and collect the cabbage and trying to find another buyer became difficult for the cabbages were no longer fresh. Also in the area sometimes network is a problem and there will be loss of communication with the buyers.

Some of the members face witchcraft and prostitution accusations. None participants in the group accuse most of the ROSCA members of witch craft because of the money that they are making. These accusations have also demoralized some individuals of joining the groups in the fear of being initiated into witchcraft. Some members especially young women who are house wives are accused of prostitution so as to get money for the round. The issues are sensitive and defamatory to any individual.

The other challenge is that of shortage of liquidity. The model shows that it only benefits the individuals who have the capacity to raise funds to join the groups. This shows that the most vulnerable to poverty can be still left out whilst they are the ones who need to be rescued from poverty.

The other challenge is that the poorest are not being included in the program whilst they are the ones who need help. The respondents stated that it is difficult to include them for they know most of them would want to get the pot first but will not be able to kip up with the round which will lead to them defaulting. Also the poor themselves are afraid of joining and borrowing for the fear of not being able to complete the debt also they just have the fear that projects which deal with the development of the community are not for them thus they end up sidelining their selves.

In Conclusion, the research has revealed the ROSCAs which are in Chenhunguru Ward and providing vital social safety nets for the people in the ward. The ROSCA program in the ward have shown that they have reduced poverty in the ward through thru the availability or increased access to health, education, food security, increased income and the empowerment of women. The program has encouraged the individual not to be donor dependent but depend on themselves for survival for the organizations behind the models do not provide any form of finance except teaching lessons and this is in line with the country's policy of ZIMASSERT.

## **CHAPTER 4**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **4.0 Introduction**

The main thrust of this research was to evaluate the effectiveness of ROSCA informal microfinance model in poverty reduction in Zvishavane. Most of the information was collected from other documentation, reports and responses from the ROSCA participants in Chenhunguru Ward. This chapter will present the summary, conclusions of the research, make recommendations derived from the challenges affecting the successful implementation of ROSCA model and suggest more areas of study.

#### **4.1 Summary**

The research was guided by the research objectives and questions which sought to assess the effectiveness of ROSCA informal microfinance model in poverty reduction in Zvishavane. The research findings answered these questions thus the escalating poverty in Zvishavane can be curbed by the ROSCA model for it assists members in mobilizing capital which will help in sustaining their livelihood. The research was further supported by various scholarly views in Chapter 2 also emphasized that under the right population who are the poor microfinance is an instrument that can fit the needs of those living below the poverty line. They also highlighted that the model is most applicable to the poor and not the poorest and the researcher got the same views her research findings. The researcher will put forward recommendations that she see fit for the successful implementation of the ROSCA model.

#### **4.1.1 CONCLUSIONS**

The following conclusions were derived from the study;

- Economic decline ,recurrent droughts and in ability of labor markets to provide jobs to those that seek employment have resulted in the increasing growth of poverty in Zimbabwe
- The macro-economic policies adopted by the Zimbabwean government have curtailed the growth or rapid increase of poverty in Zimbabwe
- Poverty is a multi-faceted or multi-dimensional phenomenon that can be defined from a multitude of angles but its main underlying characteristic is the inability of people to adequately meet their social and economic needs.
- Engagement in ROSCAs reduces household poverty. The incomes that are obtained by the majority of the participants are much higher than the national average monthly gross cash income which according to Zimstats (2012) is US\$180. Most of the participants are living above the Total Consumption Poverty Line which is US\$99 according to Zimstats thus it is evident that incomes obtained from participating in ROSCAs reduce poverty.
- The ROSCA participants are in a position of adequately providing educational needs, household security, acquiring stands, building houses, start businesses of their own and also having peace in their homes initiated by their accessibility to finance. The participants are now able meet their medical needs since they do not have medical insurances they transact with cash.

- ROSCAs are a saving mechanism and assist in mobilizing working capital. A business advisory platform is provided by participating for members assist each other in their business challenges.

#### **4.1.2RECOMMENDATIONS**

Participants noted that there is lack of enforcement on the rules guarding the program or model. The members can try to legalize their constitution by taking it to the police. Thus the inclusion of the police might make other individuals fear defaulting for no apparent reason. This would be of much help because other members stated that some individuals are now taking advantage of the fact that the savings groups are comprised of women mostly and even if they default in the middle of the round, no action will be taken.

The poor need to be included in the poverty alleviation programs and for that to happen they need full and maximum support from family members and the responsible organizations of the program. Thus organizations are supposed to do need assessment surveys from house hold to house hold so as to realize those who have greater need and find ways to help and motivate them. The needs assessment will help for it will be done from household to household addressing the issue that most poverty stricken persons do not even attempt to attend community development issue and on this note the organizations will be going to their door steps.

The leading organizations on training the people of the community about such programs need to also include men because most men had the idea that these programs were only for women. The leading organizations would need to teach and encourage members about forming incoming generating projects so as to be able to pay back their loans. Necessary skills are of greater necessity to the participants so that the groups may not collapse and the leading organizations should have an upper hand on this.

The training period for such programs needs to be extended. At most the training lasts for about three to four days and the community will have difficulty in capturing all the important data. Monitoring should be prioritized by the leading organizations especially during the first and quota second of the introduction of such program. This will help in assisting the participants on where they are going wrong in implementing the program.

Also on the issue of defaulting, participants should try to choose members whom they know very well. These can be close friends or relatives because by human nature such relations can restrict a member from defaulting in the fear of letting down his or her friends.

#### 4.1.3 AREAS OF FURTHER STUDY

The study focused in rural areas thus there is also need for Local Authorities and organizations to look for other social safety net for poverty alleviation. The applicability of the ROSCA model should also be tested in the urban areas for issues of poverty affect the areas too.

There is also need to test the model in other rural areas to see if it yields the same results when it comes to poverty alleviation

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#### **APPENDIX A: ROSCA effectiveness assessment questionnaire for Zvishavane Chenhunguru Rural Ward 13**

My name is Valentine Breakfast and I am currently undertaking an Honors Degree in Science in Politics and Public Management at Midlands State University. I am carrying out a study entitled **Microfinance schemes and rural poverty alleviation in Zimbabwe. The case of Rotating Savings and Credit Association (ROSCA) in Zvishavane** and is being carried out in partial fulfilment of the demands of the faculty of Social Sciences. May you please be advised that the information required in this paper will be used only for academic purposes and shall be handled with due confidentiality and shall in not be used against the respondent at any given time. Please **DO NOT** write your name or details on this paper.

Thank you in advance for taking your time.

Please note; ROSCA microfinance model was designed to prevent people from falling below higher levels of poverty

May you kindly tick (√) where relevant and where responses are required use the spaces provided?

1) Gender

Male [ ] Female [ ]

2) For how long have you lived in Zvishavane

0-5 years [ ] 6-10 years [ ] 11- 15 years [ ] 15+ years [ ]

3) Employment status

Employed [ ] Unemployed [ ] Self Employed [ ]

4) If unemployed, what is your source of income?

.....  
.....  
.....

5) Do you have any knowledge about the ROSCA program in your area

Yes [ ] No [ ]

5b) Are you aware of any of its undertakings

Yes [ ] No [ ]

6) In your experience are the social, political and economic influences that determine your participation in ROSCA?

.....  
.....  
.....  
.....

6b) For how long have you been participating in ROSCA?

.....  
.....

6c) Have you received any benefit from participating in ROSCA

Yes [ ] No [ ]

6d) If answer to 6c) is yes please specify the benefits you have received from participating in ROSCA

.....  
.....  
.....

6e) In your experience, has the assistance you received been of much benefit to you in changing your social status?

.....  
.....  
.....  
.....  
.

7) In your view who do you think is benefiting from the ROSCA programs?

.....  
.....  
.....

8) In your view what are the challenges being faced by the community in implementing ROSCAs

.....  
.....  
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.....

\_ Thank you for your cooperation.

**APPENDIX B: ROSCA effectiveness assessment interview guide for Zvishavane  
Chenhunguru Rural Ward 13**

- 1) What do you understand by the term ROSCA ?
- 2) What qualifies a person to be poor in your community?
- 3) Who are the most vulnerable to poverty in your community?
- 4) Who are the major players in ROSCAs in Zvishavane?
- 5) To what extent is ROSCA informal microfinance model successful in poverty reduction in Zvishavane?
- 6) To what extent is Zvishavane community adopting the ROSCA programme?
- 7) How are households in Zvishavane responding to the ROSCA programme?
- 8) In your experience what are the social, political and economic influences that determine participation in ROSCA?
- 9) In your view what are the benefits from participating in ROSCA microfinance program?
- 10) What challenges are you facing in participating in ROSCA?