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**Impact of Microfinance on the Livelihoods of Rural Communities:
A Case of VIREL Microfinance in Manicaland Province.**

BY

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**This Dissertation is Submitted in Partial Fulfilment of Bachelor of Arts Honours Degree
in Development Studies**

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Approval Form

The undersigned certify that they have supervised the student, Samantha Nyachoto R146777R's dissertation entitled: **Impact of Microfinance on the livelihoods of rural communities: A case study of VIRL Microfinance in Manicaland Province** submitted in partial fulfilment of the requirements of the Bachelor of Arts Honours degree in Development Studies.

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Declaration

I Samantha Nyachoto, hereby declare that this dissertation is my own work towards the Bachelor's Degree in Development Studies, and that to the best of my knowledge it does not contain material or literature that have been previously published by another person except where due acknowledgement has been made in the text.

Samantha Nyachoto

/ /**Date**

Dedication

This dissertation is dedicated to my beautiful, supportive and loving mother, Elizabeth S. Nyachoto.

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Acronyms

| | |
|---------------|--------------------------------------|
| MFI s | Microfinance Institutions |
| NGO | Non-Governmental Organisations |
| RBZ | Reserve Bank of Zimbabwe |
| UNDP | United Nations Development Program |
| ISAL's | Internal Savings and Lending Schemes |
| SME's | Small and Medium Enterprises |

Abstract

The absence of traditional service providers (commercial banks) came the rise of microfinance institutions in marginalised rural areas. The main objective of the study is to evaluate the impact of microfinance on the livelihoods of rural people as a way of ensuring sustainable livelihood. The Makoni District in Manicaland Province was selected to be a case study of the impact of microfinance and VIRL a microfinance institution which is greatly active in the area. The microfinance institution's mandate however, is to provide small loans that will improve household livelihoods of rural dwellers by financing income generating projects thus escaping the clutches of poverty. A quantitative research method was used to collect data from the provided micro-credit participants in the study area which enabled the researcher to acquire a rich pooled data for evaluation. As a result, the research indicated that microfinance does play a pivotal role which has a positive impact on rural livelihoods and household level. Thereby improving health care, education, savings culture and most importantly financially including the marginalised. Recommendations were also provided which include relaxation on collateral and application requirements like guarantors that will further sustain the livelihoods of the rural community in order to financially secure the already marginalised population.

CHAPTER 1:

Problem and its setting:

1.1 Introduction

The aim of the problem and setting section which is chapter 1 was to set the confines of the study, focusing on the background of the study, statement of the problem and research objectives which was the guideline of the research. This chapter also outlines the justification of the study, delimitation, theoretical framework and finally a summary of the chapter contents.

1.2 Background to the Study:

The origins of microfinance are highly debateable as a number of scholars have a different perception on when the phenomenon came in to action. The history of microfinancing can be traced back as long to the middle of the 1800s when Lysander Spooner a theorist inscribed about the advantages that can be attained from small credits to entrepreneurs and farmers as a way of getting the people out of poverty. In Europe and North America, particularly in countries like Germany Ireland and the United States of America microcredit was active as it provided small loans to poor farmers who had no collateral and covering about 20% of all national poor households annually. According to Robinson (2001) and Otero (1999) the phenomenon first came to prominence in the 1950s through to the 1970s, then the provision of financial services by donors or governments was mainly in form of subsidised rural credit programmes. It can be noted that the modern micro-credit is generally considered to have been originated in Asia with the Grameen Bank founded in Bangladesh in 1983, with the period between 1960s-1990s referred to as the birth of microcredit by Muhammad Yunus. According to Yunus, highly acclaimed to be (father of microfinance) microfinance is “banking the unbankable”. Bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most

cases because they are unable to offer sufficient collateral. In addition, this might also be due to high levels of unemployment and inadequate information on financial services.

As a borrowed phenomenon in Africa, microfinance has been viewed to be the remedy of poverty, better and sustainable livelihood with countries like Kenya adopting it in the 1990s, with their microfinance Act becoming active in 2008 and 24 large microfinance institutions which provide US\$1.5billion to approximately 1.5million active borrowers (Adams 2008). As for Zimbabwe, microfinance started in the 20th century, particularly in the 1960s when people were mobilised into groups to savings clubs. Even before one can infer that people had other sources of credits such as friends and relatives. According to Adams and Raymond (2008) informal credit sources such as family members and friends, money lenders, commercial agents and group based Rotating Savings and Credit Association (ROSCAs) have been providing peasants with credit for centuries.

According to the Reserve Bank of Zimbabwe (RBZ report 2015) microfinance is generally defined as the provision of a range of financial services including savings, small loans, insurance, and money transfer services to marginalised members of the population and SMEs that do not have access to finance from mainstream financial institutions. This has been greatly experienced by the rural communities across Zimbabwe and in this case in Manicaland province particularly in the Makoni district.

1.3 Statement of the Problem:

Notwithstanding an array of researches on the impact of microfinance on the livelihoods of rural people, seemingly there is insufficient knowledge about how to make it work effectively for income poverty reduction in rural areas, particularly in Makoni District. The stark reality is poorest people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The primary challenge is how to effectively incorporate micro-

finance to grassroots levels. Access to finance in fact empowers people as it provides them the prospects to have an account to save, and invest, thus liberating them from clutches of poverty. The assumption of any micro finance is that it will improve lives; therefore, it is imperative to investigate the impact it has on mitigating poverty particularly for the rural community. Mpofu *et al* (2007) explained that, inadequate access to economic resources especially financed by the sparsely located across Zimbabwe continues to inhibit agricultural development. It is thus of great importance to strengthen efforts to transform the economy and continuously explore pragmatic methodologies to address the problem that is faced by the rural communities considering the fact that the country is highly agro-based and the rural community greatly relies on it.

In Zimbabwe, the lack of proper integration into the financial system of microfinance has contributed to an underestimation of the contribution of this particular sector to economic growth and sustainable livelihoods of rural people. This study will endeavour to make a contribution to filling the lacuna.

1.4 Research Objectives:

1. To evaluate the impact of microfinance on the livelihoods of rural people in Makoni district (Manicaland Province).
2. To establish the benefits derived by rural members from participating in microfinance programmes.
3. To identify challenges faced in administering microfinance in rural communities.
4. To assess whether the existence of MFI's enhance savings culture in rural communities and the economy of the country.

1.5 Delimitations of the study:

The researcher chose Manicaland Province particularly Makoni as she once worked as a loan officer at VIRL microfinance in the district and is passionate about uplifting people in the rural community to be developed especially women and youths. On account of the time and resources, the research is limited to Manicaland Province particularly Makoni

1.6 Justification of the study:

The findings of the study have theoretical as well as a practical significance. This micro level study gives insights on the importance of Microfinance in Manicaland province. The study raised societal awareness of microfinance, to identify the factors that contribute to this operation and to understand the challenges confronted by receipts to acquire loans. It has also some contributions to the formulation of appropriate policies to allow lower level people to acquire loans easily. These policies will assist the concerned bodies to focus on the root causes preventing grassroots people to acquire loans rather than giving attention to the observed problems. The project will assist the government and urban authorities to focus on microfinance as a source of employment and income which is a survival mechanism for many rural dwellers.

1.7 Significance of the Study

With rural dwellers constituting nearly majority of the population of Zimbabwe, an estimated 70% (ZimStat 2012) this cannot be done without mobilizing the energy, talents and capabilities of this important section of the population and empowering them. In this regard, it is argued that micro-finance as a development strategy is able to give room for rural communities' participation in socioeconomic development. However, very few studies have been done to establish the link between microfinance and rural economic empowerment.

Even the studies conducted earlier have mainly focused on Zimbabwe, and very few on women empowerment or economy improvement. This study, however, investigated the impact of microfinance on rural community livelihood change in Manicaland province particularly in Makoni area. Thus, the study gathered basic pieces of evidence, which shall also serve as critical data for researchers and policy makers who may further wish to consider the subject matter of this investigation in the future. Understanding whether or not microfinance services are really effective in economically empowering rural communities has important policy implications. In this regard, the study made important findings regarding the role of microfinance in the economic and financial empowerment of rural communities which will also assist the rural dwellers in better understanding to engage in the phenomenon.

The study provided some insights on approaches and strategies to rural development for nongovernmental organisations and related institutions involved in economic empowerment of rural communities around Zimbabwe. This will also assist such institutions to review the effectiveness of ongoing programmes and future ones. The study is also expected to benefit policy makers in the government ministries towards designing participatory rural development policies and programmes that have a positive bearing on the livelihoods of rural dwellers.

1.8 Theoretical Framework:

Since this research was primarily focused on the assessment of microfinance activities and the impact it has on the livelihoods of the rural community, the theoretical framework had to probe sustainable development in this phenomenon. The theory of Sustainable Livelihoods Approach by Ian Scoones brought out the theoretical framework of this research study. According to Chambers and Conway (1998) a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. In addition, livelihood is sustainable when it can cope with and recover from stresses and shocks

and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.

The Sustainable Livelihoods Approach is a measure of reducing poverty and uplifting livelihoods. According to Scoones (1998) there are three insights into poverty which underpin this approach. The first is the realization that while economic growth may be essential for poverty reduction, there is not an automatic relationship between the two since it all depends on the capabilities of the poor to take advantage of expanding economic opportunities. Secondly, there is the realization that poverty as conceived by the poor themselves is not just a question of low income, but also includes other dimensions such as bad health, illiteracy, lack of social services as well as a state of vulnerability and feelings of powerlessness in general. Finally, it is now recognized that the poor themselves often know their situation and needs best and must therefore be involved in the design of policies and project intended to better their lifestyle.

This study was also guided by the sustainable development theory which attempt to prioritise economic model to sustain natural and financial capital. In 1987, the Bruntland Commission published its report. "Our Common Future", in an effort to define the term. In doing so, this report provided the oft-cited definition of sustainable development as 'development that meets the needs of the present without compromising the ability of the future generations to meet their own needs' (United Nations General Assembly,1987, p. 43). The overall goal of sustainable development (SD) is the long term stability of the economic and social concerns throughout the decision making process. Pearce and Barbier (1989) defined sustainable development as a social and economic system, which ensures that these goals are sustainable i.e. that real income rise, that educational standards increase, that the health of the nation improves and most importantly the general quality of life is advanced.

Although the origins of Sustainable Development can be traced to the seventies, in the World Commission on Environment and Development in 1987 (WCED or Brundtland Commission) that the term is coined and also defined as development that meets the needs of the present without compromising the ability of the future generation (Le Blanc 2012). Sustainable development is significant for rural community development as poverty remains a predominantly rural problem, with a majority of the countries poor living in rural area. Poverty greatly limits the quantity and quality of basic needs that people can have access to. Thus leading a livelihood with relatively less money, economic demands for basic needs is less, which in turn results in lower levels of either food production (Sheaffer, and Moncada 2009:68-70).

Unlike centralized development policies that are top down and highly common in urban areas, Sustainable Development advocates for a bottom up approach that ensures participation of the affected in decisions that affect their lives, in this case that is the rural community. This helps in ensuring sustainability of development programmes as people are motivated to take charge of their own development. Microfinance achieves this through economic empowerment of the poor. By organising themselves into microfinance activity groups such as ISAL and ROSCA groups and self-managing them the poor are taking part in their own development. Through harnessing their own resources, the rural communities are empowered to make strategic economic decisions that affect their lives and ultimately lead to reduction in poverty and possibly resulting in sustainable better livelihood.

This study was based on sustainable development and livelihood theory and approaches to rural community empowerment. Basing on the sustainability theory the study's effort was to establish if participation in microfinance activities will empower the poor to carry out economic activities that can generate income that can have a significant impact on poverty.

1.9 Limitations of the Study

The research faced a number of constraints, having to do with the resources, time, respondents, institutions and information finding. Due to the tense apparent political climate in Zimbabwe some people were bound to be reluctant to give the researcher necessary information due to suspicions that the information may be used against them for campaigning purposes. In view of the apparent tense political climate, some of the respondents were somehow aggressive as they felt that the data could be used for other purposes other than the research. Financial constraints forced the researcher to carry out a desk research and also make use of questionnaires sent through email, depriving her an opportunity of carrying out face to face interviews and observing the studied area.

1.10 Definition of terms:

Microfinance:

Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

Livelihood:

Livelihood generally means making a living which encompasses people's capabilities, assets, income and activities required to secure the necessities of life. A livelihood is sustainable when it can cope with and recover from the stresses and shocks, maintain or enhance its capabilities and assets (Conway and Chambers 1992:6). Adding on Armendariz, B. (2005)

alludes that livelihood is sustainable when it enables people to cope with and recover from shock and stresses particularly economic upheavals which will be focused on in this research.

Micro-credit:

With many illiterate and unable recipients to complete paperwork required to get conventional loans, microcredit can be defined as the extension of very small loans to impoverished borrowers who typically lack collateral, steady employment or any verified credit history.

Micro finance Institutions (MFIs):

A microfinance institution is an organization, engaged in providing and specializes in banking services for low-income groups or individuals. Its mandate is to empower poor borrowers for income generating and self-employment activities. An MFI is usually not a part of the formal banking industry or government. It is usually referred to as a NGO (Non-Government Organization).

Empowerment:

Empowerment refers to increasing the spiritual, political, social and economic strength of individuals and communities. It often involves in developing confidence of the individual in his/her own capacities. It has different meanings in different social, cultural and political contexts. It indicates the expression of self-strength, control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one's values, capable of fighting for one's rights, independence, own decision making, being free, awakening, and capability.

Empowerment is relevant at the individual and collective level, and can be economic, social, or political.

Economic empowerment:

In our research, we have also emphasized on economic empowerment. As a consequence of economic empowerment, income, savings, employment and self-employment increases and thus reducing unemployment and indebtedness. As a result of this distress, sale of commodities and land also decreases, resulting in the increase of assets and productive investment.

Social Empowerment:

Social empowerment is understood as the process of developing a sense of autonomy and self-confidence, and acting individually and collectively to change social relations, especially of rural communities who are much lagging behind in many parts of the developing world. We can say, in general, that it is related to the participation of people in different community and political institutions, mobility and decision-making power, access to safe drinking water and sanitation coverage. The other factors which result as the increase in social empowerment is increase in contraceptive prevalence rate and access to public and common property resources, and decrease in child and maternal mortality.

Sustainability:

There are many scholars who define sustainability, they all seem to agree on the same concept that it is meeting people's needs without compromising the ability of future generations to meet their own needs. In addition, in 1987 the final report of the World Commission on Environment and Development (WCED), titled 'Our Common Future' sustainability is referred as development that meets the needs of the present without compromising the ability of the future generation to meet their own needs.

Structure of the study

Chapter 1: Problem and its Setting

Chapter 2: Literature Review

Chapter 3: Research Method

Chapter 4: Data analysis

Chapter 5: Conclusion

1.11 Summary:

The main aim of chapter one has been to introduce the intention of the research. After covering various issues that structured the basis of this study, the researcher will move on to the following four chapters considering that the dissertation will be composed of five chapters.

Chapter 2:

Literature Review

2.1 Introduction:

This chapter seeks to review relevant literature that is based on the research objectives, in a bid to take reference from the opinions, assertions and ideas of various accredited scholars and writers in the field of microfinance. Reference to textbooks, surveys (case studies), and journals by well profound scholars was made in order to build a strong case for the research effort. The reviews found constructive debates in the literature results which enabled the researcher to fill the lacuna. The literature is divided as follows: history of microfinance, microfinance in Zimbabwe, contribution of microfinance to household well-being and livelihood and the impact of the phenomenon on livelihoods in rural communities.

2.2 History of Microfinance:

The concept of microfinance is not a new phenomenon, for many decades' people had various sources of credits such as friends and relatives within the context of starting a business or improve their ongoing projects as means of survival. The practice seems to have been formalised to micro credit or microfinance and are used interchangeably (Helms 2006). Robinson (2001) posits that microfinance has been of great dominance over the past decades and can be uprooted as long as the middle of the 1800s with Lysander Spooner writing about the benefits from small credits to entrepreneurs and farmers as a way of relieving people from the clutches of poverty.

Across the globe with countries like Germany and Ireland micro credit was also active as denoted by (Otero 1999) that it had been active as it provided small loans to poor farmers who had no collateral. In addition, some scholars view the practice of microfinance as

bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. This has soundly impacted positively in the living standards of many rural communities such as Makoni rural.

From the foregoing, microcredit or microfinance mandate is to uplift the underprivileged, low income and the marginalised in communities which will then assist the individuals to undertake income generating projects or boost any projects that would have been dedicated to as a means of escaping poverty. Considering that rural settlers in most cases who are the majority of the population in developing countries like Zimbabwe will not be eligible to be part and parcel of the commercial banks the phenomenon of microfinance has made it possible for the rural people to participate in the financial sector just as their urban counterparts.

The phenomenon of microfinance was then soundly rekindled or reinforced and held a sound ground when the formation of the Grameen Bank by the microfinance award winner well known as the father of microfinance, Muhammad Yunus in the 1970s. According to UNDP (2011), starting from the 1980s, microfinance had gained recognition globally as one of the most effective tools for poverty alleviation. The objective of any microfinance activity is to bring sustainable microfinance services that have a positive and long lasting bearing on the livelihoods of the poor rural communities in any country around the world.

Wahid et al (1993) notes that microfinance and their institutions particularly the Grameen Bank has had a positive impact on the rural wages as well as poverty reduction, which clearly shows that the benefits to its borrowers and sustainable. In Bangladesh, India and around Asia the phenomenon has greatly flourished as for the past years has recorded over 2 million members spread over 35 million villages with 94% of whom are women (UNDP 2008). This

however shows that microfinance does not only render benefits for the rural community alone but also eliminates the stereotypes that rural women and women in general have been termed over the years. It empowers women to start up their own income generating projects further improving the livelihoods of their households and community at large.

In Africa, microfinance has been viewed to be the remedy of poverty, better and sustainable livelihood with countries like Kenya adopting it in the 1990s, with their microfinance Act becoming active in 2008 and 24 large microfinance institutions which provide US\$1.5billion to approximately 1.5million active borrowers (Adams 2008). As for the case in Zimbabwe, microfinance started in the 20th century, particularly in the 1960s when people were mobilised into groups to savings clubs. Even before one can stipulate that people had other sources of credits such as friends and relatives. According to Adams and Raymond (2008) informal credit sources such as family members and friends, money lenders, commercial agents and group based Rotating Savings and Credit Association (ROSCAs) have been providing peasants with credit for centuries.

Reserve Bank of Zimbabwe (RBZ) (2015) is of the view that microfinance is generally defined as the provision of a range of financial services including savings, small loans, insurance, and money transfer services to marginalised members of the population and SMEs that do not have access to finance from mainstream financial institutions. This has been greatly experienced by the rural communities across Zimbabwe and in this case in Manicaland province particularly in the Makoni district. Basing with the belief that reaching the poor and building healthy financial institutions goes hand and glove Murdoch et al (2000).

2.3 Microfinance in Zimbabwe:

Rural areas in developing countries around the globe specifically in Africa suffer from financial exclusion. Particularly in Zimbabwe this is evidenced by the non-existence of rural banking facilities and infrastructure that the government has seemingly neglected. In Zimbabwe microfinance dates back in the 1970s with the involvement of the government in offering subsidies to loans. In sub-Saharan Africa over 70% of a country's population live in rural areas and unfortunately the majority are poor. Due to the absence of commercial banks in rural Zimbabwe people rely on informal financial institutions as a means to have a better livelihood. Throughout the 1980s the financial sector remained tightly controlled and oligopolistic. The number of financial sector continued to exclude the majority particularly in the rural areas due to strict entry requirements.

Though, commercial banks shun from outreaching their services in remote areas due to factors such as transaction and monitoring costs that the rural population might not afford, seasonality deposits as the people are engaged in seasonal projects thus resulting in the loss of the bank. The rural areas remained excluded from participating in the mainstream of the economy and their ability to mobilise cheap financial resources making it difficult for them to improve their livelihoods (Chen and Ravallion 2007; Matunhu 2012). With such setbacks came the rise of informal financial institutions with remedies to the mentioned problems such as initiating products that suite projects undertaken by the rural population considering that a number of them are peasant farmers and are well vexed in the agricultural sector and products that allow those into off-farm activities such as cross borders, vendors and entrepreneurial activities small loans to sustain themselves. Thereby diversifying and improving rural community.

2.4 Impact of Microfinance in rural communities

A number of profound scholars, each in their own way have shared their views on how microfinance manifest in the lives and livelihoods of the low income population, in this case the rural community. Collier (2007) asserts that it is the ‘bottom billion’ that is in great need of urgent attention and approaches that will assist their daily lives to be sustainable. Other scholars in support noted that to come to terms with individual’s livelihoods a number of aspects has to be considered such as equal distribution and gender issues. Fraser (2003), added on equality and empowerment in measuring a better living standard in people’s lives. Thus having a sense of belonging entitlements as well as security if financial services are rendered thereby resulting in the sustainable livelihood propagated by Ian Scoones. Also, Aghian and Morduch (2005) emphasised on how microfinance has improved the rural communities across the globe as well as savings making it a core principle of risk management for households. As developing countries seem to be highly engaged in microfinance due to the unemployment rates are high as the unstable economic nature particularly common in the African continent.

The high unemployment rate has led to the informal sectors establishment and acting as a safety net by providing a way of creating their own income. This has been evidenced by countries like Kenya, Ghana and Ethiopia. This has revealed to many practitioners the importance of the financial system to outreach rural communities. This also strengthens World Bank’s (2008) perspective that efficient, well-functioning financial systems are crucial in channelling funds to productive uses and boosting economic growth. The act will without a doubt improve the backward communities and improve the bottom-up approach as also conveyed by Scoones how economic growth is essential for poverty reduction and paves way on the capabilities of the poor to take advantage of expanding the economic opportunities in this case of microfinance.

Additionally, though debatable, illiteracy, lack of collateral, lack of credit history and the physical remoteness of clients makes dealing with the “bottom billion” a complicated and unattractive services to formal banks. Supported by Chen and Ravallion (2007), this proved the positive bearing that micro-credit has on the livelihoods of the majority poor. In this respect, Thailand has recorded a number of successes and dominated under the ‘One Million Baht Fund Program’ that was initiated by various microfinance institutions in the country.

Karlan et al (2007) noted that the trainings, financial and business literacy courses by MFI’s in rural communities contribute to strengthen the knowledge base of clients and thus improve business outcomes, in turn may increase the demand for funds and reduce the like hood to default on a loan. This again has a positive hold on educating the population in rural communities in which they could not afford by themselves.

The debate continues with scholars like Rahman (2001) stating at a conference on “Livelihood, Savings and Debt” that ‘there is a growing fascination with the mechanics of microfinance, with the vehicle’. Explained, he was pointing out that there is less concern about the passengers and their destination. This is so as scholars like Rahman believes that a continuation of engaging in credit is rather pulling the already poor into a worse scenario. In addition, other scholars like state that though the rural community is a group that needs urgent attention a number of the population are stuck in debt and at the bottom. A situation can be taken of a client failing to pay up their loan and are likely to lose all their assets that they own as they would have pledged it all as collateral. For such scholars this would result in a poor family rather than bettering their lives sustainably access to such financial services are of short comes with high risk of being trapped into a cycle of indebt. In rural communities of developing countries collateral is a major setback.

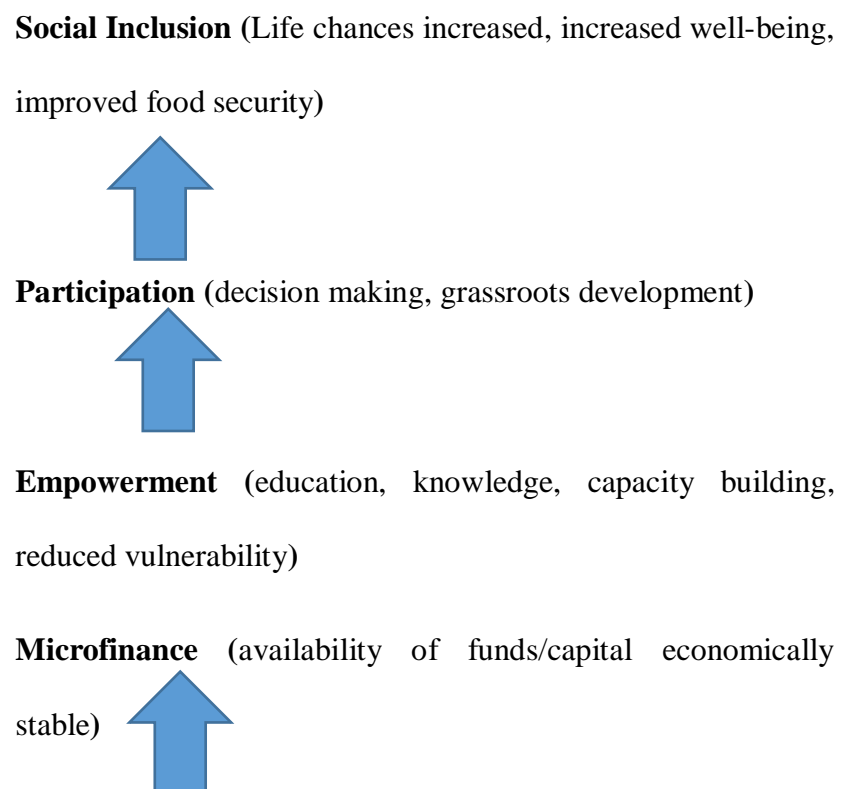
Armendariz and Sczafarz (2009) are of the view that poverty reduction and enterprise development goals should be part of the same MFI visions on how microfinance for poverty alleviation can scale up for sustainability without compromising its social goal. In addition, they also pointed out that MFI's product offerings are becoming out of reach for the majority poor thereby forcing them out of the financial program that was originally intended to assist them. Thus stressing how microfinance activities pose to have a negative impact on household livelihoods arguing that credit affects household levels by increasing poverty and food security levels.

McIntyre (2012) posits that, success is defined through an operational model designed to examine three primary categories such as financial stability, institutional viability and outreach. In West African nations particularly Nigeria, scholars argue that

2.6.1 Contribution of Microfinance to Household Wellbeing:

Microfinance's role on poverty reduction on household level and ultimately improving the livelihood of the rural community has caused heated debates among scholars. The researcher examines the influence that microfinance has on the livelihood outcomes. Chambers and Conway (1992) gave a definition of sustainable rural livelihood which can be applied most commonly at household level as "capabilities, assets and activities required for a means of living." The contribution of micro-credit to household well-being is a developmental activity that results in sustainable livelihood and eventual goal being to reduce and eradicate poverty (Ashly & Carney 1999; DFID 1999; Koziell 2001). The following diagram illustrates the sustainable livelihood framework to be used in elaborating further the contributions of microfinance to household well-being that can also be achieved through the phenomenon of microfinance.

Figure 1: Impact of MF in Household wellbeing



Source: Own Creativity

There is considerable and opposing schools of thought that arose over the past years with the main question being if micro-credit contributes to the betterment livelihoods of clients. On one side there are optimistic scholars of the phenomenon that stresses that microfinance plays

a major role in reducing poverty. (Yunus 1999; Sanyang & Huang 2008) further emphasise that it has improved both economic and social wellbeing of the beneficiaries. According to Yunus (1999) there is indeed a direct and obvious relationship between participating in microfinance and poverty alleviation. To the scholar as he noted in his article, ‘the poor are poor because they do not have access to reliable source of finance’ assumes that availability of financial assistance to the poor has a positive impact on their day to day living. Clearly noting the relevance of microfinance in rural communities.

On the other hand, there are the opponents of the activity of microfinance who criticise what they view as an ‘over stated’ impact of the phenomenon on poverty reduction and the improvement of livelihoods stating that the evidences available show how it has seriously failed. Thus complimenting how the poor are being debt trapped (Bateman & Chang 2009, Bateman 2010; Lont and Hospes 2004). In addition, in his paper, ‘Microfinance Illusion’, Bateman et al (2009), strongly argued against social and economic impact of microfinance as it was stated that the phenomenon is undermining attempts to establish sustainable economic and social development, and also sustainable poverty reduction particularly in rural livelihoods. The debate will be further explained in the following topics.

2.5.1 Ownership of household assets

India and Bangladesh as well as many other countries in Asia have been profound examples of the success of microfinance. As stated by Montgomery et al (1996), microfinance plays a pivotal role in poverty alleviation and increasing well-being. This can be seen through the accumulation of household assets by clients engaged in the micro-credit scheme. Sebstad and Cohen (2015), identified two types of physical assets namely productive assets which can be used to generate income without selling them which include livestock (cattle, sheep, goats etc.) and other household physical assets which only generate cash when sold off.

A study in Malawi showed that a number of clients increased their assets through microfinance activities which had a positive bearing on their livelihood. Yet another study in the Philippines found out that the value of livestock and accumulation of capital went up substantially with the number of loans disbursed to clients. Following the study, it has been recorded that the percent of very poor clients has decreased from 76% to 13% indicating that most clients in the micro credit scheme had moved from being in extreme poverty to a better livelihood.

Many clients particularly in the rural communities purchase productive and non-productive assets such as livestock, poultry, agricultural inputs, and agricultural machinery which assists in their agro-business considering that the majority in the area rely on agriculture. In addition, a number of microfinance have introduced a product whereby clients get a loan to purchase assets which has assisted in boosting their businesses and increasing their net income. It is quite solid that microfinance engagement increases ownership of assets be it for income generating projects, household use, and storing wealth for future liquidation.

The ownership of asset through microfinance has been greatly debatable as Umara (2010) argued that the provision of and the ability to get such assets is only if it is an established client. This is however, impossible for new clients.

2.5.2 Investment on children's education and health

Although the primary mandate of microfinance has been to reduce poverty for the low income through the provision of micro-loans for income generating projects, there are other many aspects that microfinance is impacting. Though there is the absence of direct linkage of microfinance there is surely a positive outcome through the effect of micro credit availability on families and their well-being in this case in the investment in their children's education and health. According to UNESCO the greatest out of school children are found in the Sub

Saharan Africa with 45 million and South Asia with 42 million. The impact that microfinance has on education referred by Mobolaji (2010) as the greater the wealth (access to financial services) the greater the social status of the family. It has in various countries of the two continents mentioned that micro credit indeed has a positive bearing in the enrolment, attendance and attainment of education in rural areas.

A case study in Ghana has clearly echoed this impact (Adjei and Arun 2009). The studies on this relationship has shown that it is most likely to find the client's children in schools than those who are not engaged in the phenomenon, thus revealing on how the former is able to pay for their children's school fees than the latter. Education is one of the most important indicator of livelihood. It has also been recognized as an effective and expedient change agent of educating the adults in gaining more skills and knowledge about carrying out businesses and projects which has been provided by microfinance institutions in a way of assisting clients in sustaining their projects. This will not only improve the paying up of loans but also sustain the livelihoods of the clients. Therefore, the phenomenon has a positive impact on the livelihoods of the rural community.

Human capital is a combination of knowledge, habits, social behaviour and personality that contribute to economic benefits for an individual and/or community (Ellis 1996). This knowledge can be attained through education, creativity, availability of skills and talents, experience, training and exposure. Human capital also includes health of an individual, household and community. Through microfinance, there are life skills and trainings that are held for the clients. These have had a positive impact in the community particularly at household level as they get the skills to run their businesses and sustain them.

2.5.3 Household Consumption and Food security

Food security is a valuable dimension of household well-being. According to FAO (1996), food security is “the condition in which people at all times have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life”. It is the rural areas that are hard-stricken by famine and interventions are to be carefully planned on the basis of understanding the factors that contribute to the particular vulnerability of the population. This has been without a doubt achievable by the microfinance phenomenon. There is evidence that states that households with access to micro-credit in rural communities are more likely to be secured. Participating in VIRL micro credit programs indicated positive outcomes on the consumption of nutritious foods which may include meat, fish, milk among others.

2.5.5 Evaluating gender equality

It is argued that microfinance has greatly empowered women across the globe. This has been seen by the formation of the Grameen Bank which has an excessive focus on rural women who constitute 97% of the financial institution. Microfinance however, has managed to prioritise women who are amongst the poor and highly vulnerable to poverty (Bornstein 2005). It was added on that in Sub-Saharan Africa the phenomenon is at its peak particularly in developing countries like Zimbabwe in uplifting women who are the vulnerable in terms of accessing financial assistance as well as coupled by the maternal responsibility.

The existence of micro-credit has afforded women the opportunity to ownership of assets, decision making, knowledge as illustrated by the diagram above. Furthermore, this empowers the status of poor women in the rural areas, in their families and communities by eliminating norms, beliefs and values through which societies differentiate between women and men. In addition, it is also through micro-credit that women have a stronghold in their household

well-being to ensure children access to food, education and health thereby enhancing their livelihood.

Summary

This chapter focused on the need for reviewing other profound scholar's views on the research topic of the impact of microfinance on the livelihoods of rural communities across the globe. Various aspects were brought up which include history of microfinance, impact it has on the livelihoods on rural community, its contribution to household well-being among a few. Empirical studies and researches on the impact of microfinance on the livelihoods of rural communities in rural communities were also highlighted in an argumentative manner which presented the various views with regard to the subject in question. The following chapter, chapter three described how the researcher collected data and justifies the chosen research design and data collection tools used

Chapter 3:

Research Method

3.1 Introduction:

This chapter's mandate is to present the following aspects of research, the research design, population sample and how data was collected using the various research instruments. The main objective used in this chapter is to explore the impact of microfinance on the livelihoods of the rural community in Makoni district. This greatly assisted the researcher as the information revealed how the phenomenon has an impact in rural communities which will be expressed in this chapter.

3.2 Research Design:

Research design refers to the collection of data and information by the researchers in order to solve or find a problem as conveyed by (Saunders, Lewis and Thornhill 2009). In addition, it has a main aim of outlining the primary and secondary data needed for a particular paper in research, which greatly assisted the researcher in this case in answering part of if not all the objectives that had been presented earlier. The research methodology also specified the strategy that the research used and applied in the collection of data. As for this research, quantitative research method was used. The quantitative research method was used to collect data as the researcher believed that results produced will be easy to summarize, compare and generalize to the population.

According to William (2007), quantitative research was emerged to facilitate researchers in the analysis through quantification of data. This assisted the researcher in collecting data as well as evaluating how the area of study is impacting rural communities. Creswell (2003), states that quantitative research "employ strategies of inquiry such as experimental and surveys, and collect data on predetermined instruments that yield statistical data". It is also important to note that quantitative methodology makes use of different reliable sources which include numbers, statistics, charts, graphs and tables which the researcher used to easily illustrate the data collected.

The researcher made use of descriptive type of research to complement the quantitative nature of her study in which she also measured the study group once. Descriptive research was used by the researcher in case of describing clearly the phenomenon of microfinance in rural communities. This type of research benefited the research study as it attempts to determine, describe and identify what is (Fox et al 2007), thus clearly exploring the impact of the study. In addition, Ethridge (2004) stipulated that descriptive research is “aimed at casting light on the current issues or problems through a process of data collection that enables them to describe the situation more completely than possible which was greatly an advantage to the research. Also there are three main purpose of descriptive studies that can be explained as describing, explaining and validating research findings which were of great necessity to this particular study.

3.3 Target Population:

Polit and Hungler (1999:37) refer to population as an aggregated or totality of all the objects, subjects or members that conform to a set of specifications. In addition, a research population can be said to be a large collection of individuals or objects that is a main focus of a study. In this context, the study population mainly comprised of VIRL clients from Makoni and rural dwellers who are engaged in microfinance activities. The total number of clients registered to the microfinance in the area under investigation is 270 (VIRL Microfinance Annual Report 2017). From the 270 clients situated in Makoni district, the researcher calculated a specific sample size to use that will represent the total number of clients who are registered to the microfinance institution. This is going to be done as it is impossible to get information from all 270 clients. These respondents played a pivotal role as they provided the researcher with appropriate information to answer research questions of the study.

3.4 Sampling Method:

Generally, sample size is an act of choosing the number of observations for a particular study. As the researcher could not get information from all 270 clients, therefore, she selected individuals from which to collect data from making use of Thokari's "estimating the sample size based on proportion" which has a formula:

$$N = \frac{4pq}{d^2}$$

Where:

N represented required sample size

p represented the proportion of population

q represented 1-p

d² represented degree of precision (level of confidence used was 10%)

Therefore:

$$N = \frac{4 \times 0.1 \times 0.9}{0.1^2} = \frac{0.36}{0.01} = 36$$

After calculating the sample size, the researcher made use of 50 clients, a sample to the total population to represent the total number. As shown above after calculating using the formula by Khotari, the minimum sample size resulted to be not less than 36 and not more than 50 ($36 < x < 50$). As also supported by Cohen, a well-researched study comprises of more than 30 respondents which is presented by this study. It is important to state that from the 50 chosen, 38 were active borrowers of the microfinance and 12 were loan officers who work on a daily basis with the clients. This was done by the researcher in order to balance the data collection of whether the phenomenon is impacting the area. In addition, the researcher also made use of stratified random sampling whereby the population was divided into subgroups (strata) and

members were randomly selected from each group. In this case they were two strata's that were created i.e. the clients and employees from the microfinance institution.

3.5 Research Tools:

Quantitative research according to Cohen (1992) makes use of structured surveys with pre-defined response options that are administered to a representative sample of the targeted audience. Among other research tools used by the research are questionnaires, online surveys and the emerging methodology of mobile/telephone surveys. The surveys were administrated through email and telephone which was of great advantage to the researcher as it was of low cost, high responses from respondents and it was also quick to gather the information. These are fully explained below:

3.6 Questionnaires:

A predefined series were used to collect data an information from rural dwellers of Makoni district who are engaged in microfinance activities. In constructing questionnaires, the researcher made use of both closed-ended and open-ended questions. Closed-ended questions were used because of the ease of gathering and counting the frequency of each response. In addition to that, the rural settlers do not like paper work and the researcher made the questions precise at the same time depicting relevant questions. The questions also comprised of open-ended questions where the respondents could express how they felt about microfinance and how it is impacting their community freely. Targeted respondents were mainly busy people thus questionnaires gave them adequate time to come up with accurate and well thought responses.

3.7 Online Surveys

These were also questionnaires meant for the microfinance institution staff. The researcher made use of an online website, Monkey Survey. This was effective for both the researcher and employees as information was quickly received and easy to answer respectively.

3.8 Telephone/Mobile surveys:

Mobile research is an emerging methodology that is currently used to get information from all parts of the world for research purposes. This can be carried out by a researcher who cannot be physically in the area of study as was in this case. As of today, mobile surveys are simply a short survey administered through a mobile device interface; respondents are still recruited by email or phone and simply access the survey on their mobile device.

Mobile surveys were used to provide a more convenient option for the respondent to participate or to engage respondents at the point of experience. In this particular case the researcher sent questionnaires to a loan officer in Makoni to give out to clients who are engaged with the institution. In addition to that, the researcher also received a call log register from the Makoni microfinance branch with the approval from the Credit Operations Manager where she was able to make phone calls and carry out interviews on her own. The mobile survey particularly the telephone surveys are favourable because the respondent will be in a conducive environment where they can express their feelings towards their engagement in the microfinance phenomenon. This greatly assisted the study as the researcher managed to get enough information for her study.

3.9 Secondary Data

Secondary data refers to already existing and readily accessible data. It complements primary data and makes it more relevant to the study in question thus making it easier to align the data to the research problem. For purposes of this research study, secondary data was obtained

from VIRL's published audited financial statements, selected RBZ publications and selected financial journals and articles. Secondary data proved to be more efficient, less costly and easier to access unlike primary data. This also enabled the researcher to widen the scope of analysis, thereby enhancing the quality of the study.

3.10 Ethical Considerations:

The basis and outcome of this study is based on the socio-economic livelihood of a community with a mandate to improve their lifestyle. In order to understand the quality and state of their day to day life, information had to be derived from the people in the community to attain knowledge and truth what they think about the phenomenon of microfinance and how it affects them. Knowledge and trust are peremptory principles of ethics in research. In addition, the researcher also paid particular attention to other principles of ethics in research which included voluntary participation of the respondents, confidentiality and anonymity of personal information like name and surname and fully informed about the use of their information that they would have provided on their own free will.

3.11 Summary:

Chapter three mainly focused on and justified the research methods that the researcher employed for the purpose of this study. This involved defining the research design for the study, which in this case was descriptive. It also involved giving an insight on the research methodology, population, sample as well as the research instruments. The population in question was characterised by a selected group of VIRL employees and clients. This population was mainly based on the fact that the research mainly focused on analysing the impact of microfinance on the livelihood of rural community in Makoni. The forthcoming chapter (Chapter Four) focused on the researcher's data analysis and presentation plan for the study in question, with the aid of diagrams considering that the study is quantitative in nature.

Chapter 4 Data Presentation, Analysis and Discussions

4.1 Introduction:

The chapter reveals the research questions as well as aligning to the purpose of the study demonstrating how the study was important to carry out. The findings were presented in a quantitative format in order to allow ease of analysis and understanding. Chapter Four will also evaluate various opinions and views from the sample of respondents in preparation for a conclusive stance in the following Chapter Five.

4.2 Response Rate:

Fig. 1: Response rate to distributed questionnaires.

| Respondents | Administered | Returned/Completed | Response rate % |
|----------------|--------------|--------------------|-----------------|
| VIRL Clients | 38 | 36 | 94.7 |
| VIRL Employees | 12 | 10 | 83.3 |
| Total | 50 | 46 | 92 |

Researchers field survey 2018

From the above table it can be seen that from the fifty questionnaires which were administered to two groups that are involved in the micro credit scheme. VIRL clients (38) were administered and (36) i.e. 94.7% were returned completed. Furthermore 12 questionnaires were administered to the employees i.e. 83.3% (10) were completed and returned. Out of the 50 questionnaires administered a total of (46) i.e. 92% were completed and returned.

The uncompleted questionnaires were due to the unfavourable attitude of rural dwellers towards paperwork. The outcome however, showed a resounding result from the stratified sampling used by the researcher to justify the need to research on the impact of microfinance on the livelihoods of the rural community of Makoni. More so, over 80% response rate was attained in terms of successful online interviews conducted through Skype with the

employees. In addition, in order to verify information from the clients the researcher received a call register with contact details of clients from Makoni branch. From the 8 clients only 4 were available and the other half was unreachable.

4.2.1 Questionnaire Analysis

This section presented the personal information of respondents.

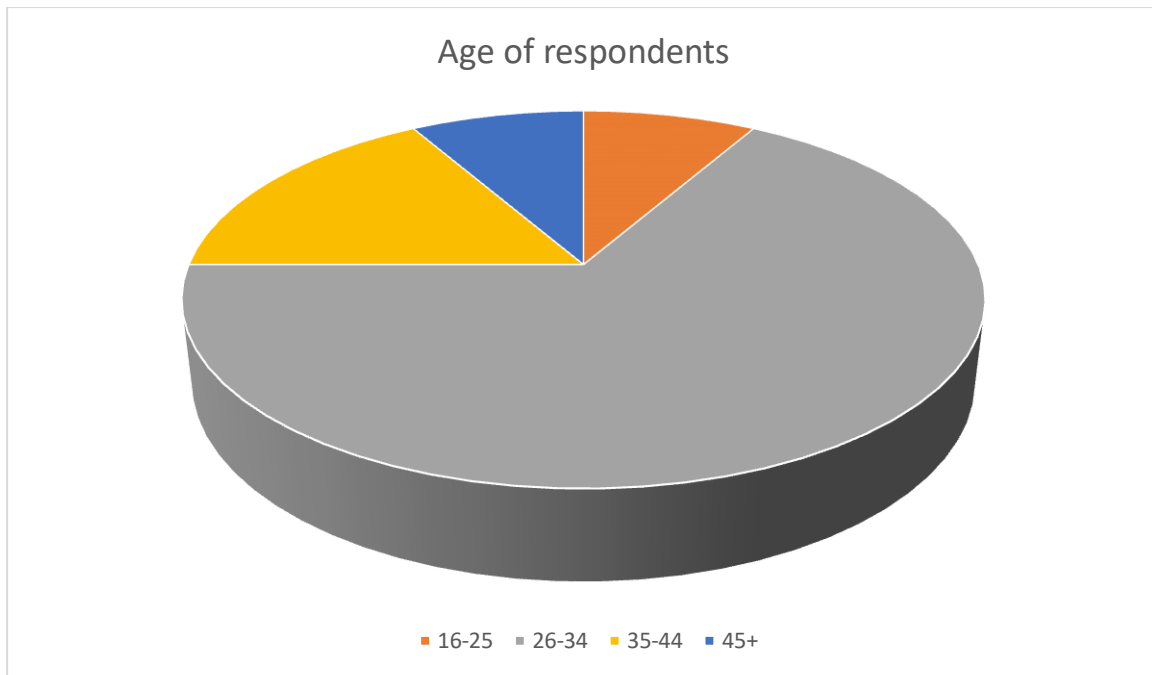
4.2.1.1 Gender of respondents

Among the respondents, females dominated since out of 46 responses over 60% were women whilst on the other hand, less than 40% were male. This depicts and confirms the dominance of women in the microcredit scheme in rural communities. Due to the outcome that women in rural communities are the most vulnerable and are amongst the low income in societies, micro credit program has manifested socio-economic benefits. Thus supporting the scholarly view that women in poor rural areas are more reliable clients than that of their male counterpart. In addition, this has resulted in the improvement of decision making by women in a household. Thereby reflecting the impact that microfinance has on empowering women.

4.2.1.2 Age of respondents

Information provided from the 46 respondents reflected that the micro credit scheme in Makoni rural is dominated by young adults ranging from 24-45, with a few slightly below and above the ages. Reflecting and acknowledging that in the country the middle aged are the ones who are economically active. The ages reveal that structure of micro-credit in Makoni is predominantly middle age. The age group is highly active economically portraying potential to engage in Small Medium Enterprises (SMEs), businesses and farming activities. Combining the age groups and gender, women seem to be more dominantly in the scheme and making use of the benefits to themselves and families for a sustainable livelihood.

Fig. 2



Researchers field survey 2018

4.2.4 Educational qualifications

The questionnaire requested for respondents to indicate their educational qualifications as shown in the table below:

Fig. 3

| Education qualification | Frequency | Percentage % |
|-------------------------|-----------|--------------|
| Primary | 9 | 25 |
| Secondary | 26 | 72 |
| Tertiary | 0 | 0 |
| Never attended school | 1 | 3 |
| Total | 36 | 100 |

Researchers field survey 2018

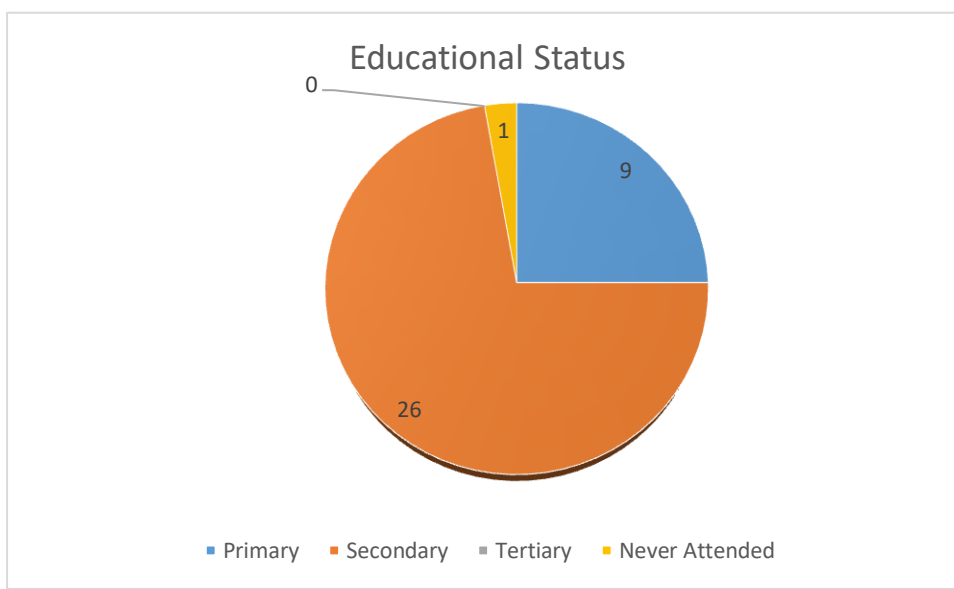


Fig. 4

Source: Researchers field survey 2018

As illustrated from the table and diagram above, 94% of the respondents attended secondary education with only one primary attendant, one who never attended school and none amongst the respondents who proceeded to tertiary education. Microfinance in Makoni district is resoundingly empowering the community who do not stand a chance in the country's job market but however they are equally active through entrepreneurial projects which are sustaining their daily lives. Also, educational status in business whether skilled or unskilled play a pivotal role. As indicated by the table, the majority of the respondents are illiterate. This clearly shows that educational levels in the rural community is low.

The effect of low quality of education nevertheless did not prohibit micro financial services to uplift the poor. As for the MFI in study it dedicates its employees to teach financial and business literacy courses upon applying for a loan. This is done in a bid to sustain client's businesses, render life skills and knowledge at the same time ensuring that they can repay their loans.

4.2.5 Marital Status

The information gathered from the field reflected that 28 respondents (77%) are married, 4 respondents (5%) are single, 2 are divorce (5%) and another 2 (5%) are widows. In this study, marital status of the respondents provides an understanding to the current livelihood that the household lives in. These may include household responsibilities, education, health care only to mention just a few. Single respondents who turned out to be mostly women thrive to be financially independent before they get married so as to prepare for better living conditions

for their future families. This increases the livelihoods of rural communities as there is a savings culture adopted through microfinance.

Source: Researchers field survey

4.2.6 Occupation

Fig. 5

| Occupation | Percentage | Cumulative Frequency |
|-----------------|------------|----------------------|
| Self Employed | 83.3% | 30 |
| Employed | 8.3% | 33 |
| Family business | 8.3% | 36 |

Majority of the respondents turned out to be self-employed with 83.3% and a few who are employed and run family businesses with 3% respectively. The majority of borrowers seemed to be more into incoming generating projects which include horticulture, poultry, cross boarder trading and flea markets.

4.3 The impact of microfinance institutions in the livelihoods of Makoni rural

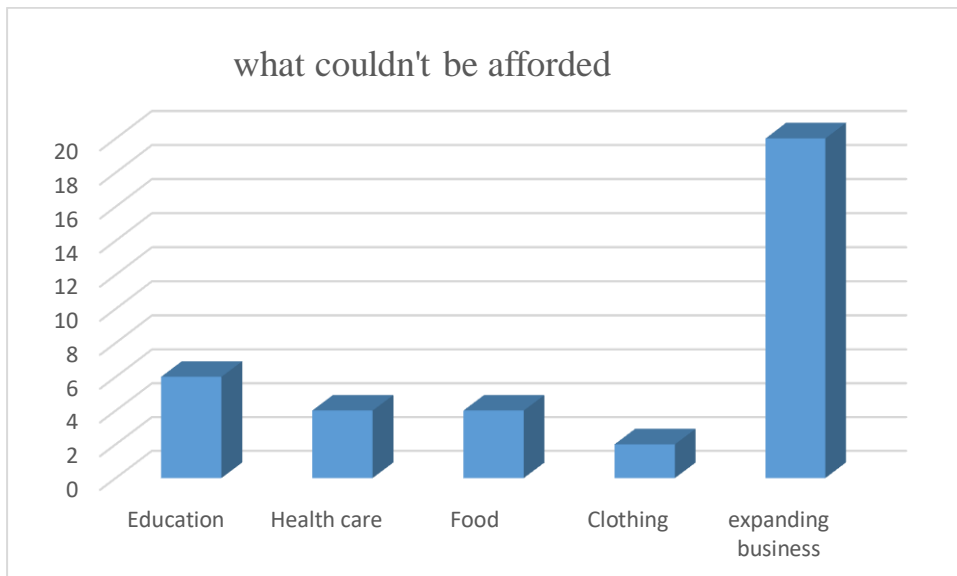
The study focuses on the relationship between microfinance and livelihood in Makoni district. The data collection sought to find out the reason behind engaging in to microfinance and the type of benefits derived from the phenomenon. VIRL microfinance funds income generating projects initiated by local business people and individuals, enhance income generation and improve the living standards of the rural, create employment, eradicate poverty and improve the state of the wellbeing for the locals through micro-credit. Albeit the existing harsh economic environment that VIRL is operating in, it has recorded a number of successes and indeed at youth and household level. Some success stories of running businesses that are viable and have moved these rural households from hand to mouth existence. Its main aim is to identify individuals that have potential to run well established enterprises and move away from the just giving small loans that do not impact on the kind of

activities that would be undertaken but also create employment in respective areas. Thus impacting on the livelihood of rural dwellers.

4.3.1 Life before engaging in micro-credit program

Below is a graph illustrating what the clients in Makoni couldn't afford before engaging in micro-credit by VIRL. As shown, 20 respondents (55.6%) couldn't afford to expand their businesses. This could however lead to unchanged lifestyle deteriorating the improvement of the community. This results the explanation of low education (16.7%), food (11%), health (11%), clothing (5.6%).

Fig. 6



4.3.2 Reasons of borrowing money from microfinance institutions:

Below are products offered by VIRL microfinance

Fig 7

| | | | | | |
|------|------------|---------------|---------|------------------|-------------|
| Core | Input Loan | Micro-leasing | Working | Life Enhancement | Value Chain |
|------|------------|---------------|---------|------------------|-------------|

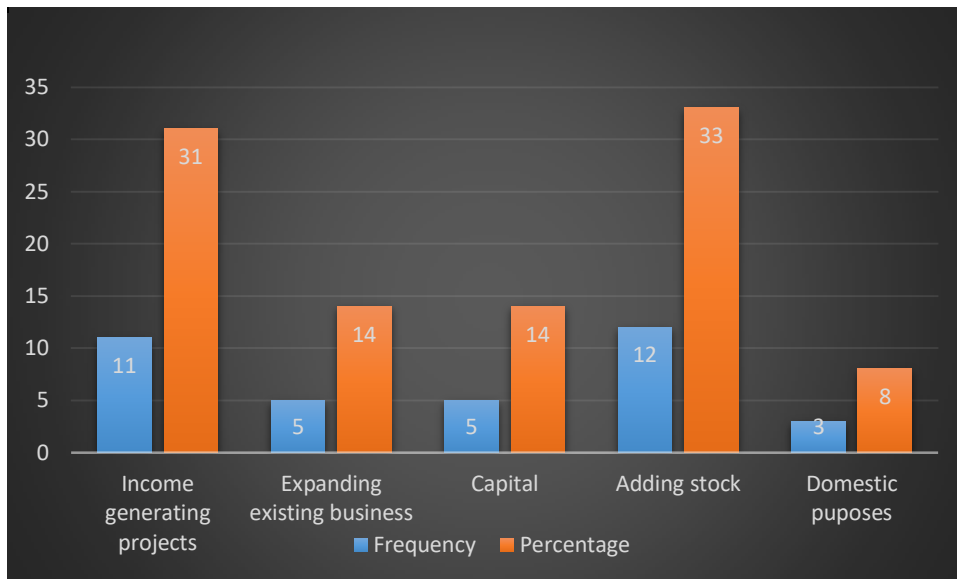
| Product Features | “DURA” | “RUGARE” | Capital “BOOSTA” | “PFIMBI” | Financing |
|------------------|---|--|--|--|---|
| Target Market | Low-income to middle income, rural, urban and peri urban households undertaking agricultural activities as well as salaried individuals who are undertaking agricultural activities | Low-income to middle income, rural, urban and peri urban households undertaking agricultural activities as well as salaried individuals | Low-income to middle income, rural, urban and peri urban farming households and salaried individuals undertaking business activities | Low-income to middle income, rural, urban and peri urban households undertaking economic activities as well as salaried individuals who may not be undertaking any economic activities | Farmers in dryland or irrigation schemes growing the same crop. |
| Target Borrowers | Any small holder farmer involved in agriculture e.g. (bananas, market gardening, sugar beans, maize, indigenous chickens, cattle paprika) | Any person undertaking business that requires equipment/assets that will improve business operations. Any individual who wants to purchase green energy products | Any person | N/A | Groups that have received agronomy support and they have an off taker for the crop they are growing |
| Product purpose | Agriculture Inputs (seed, fertilizer, chicks, feed, etc.) | Purchase of small assets: irrigation pipes, sewing machines, grinding mills | Purchase of stocks for resale | School fees, funerals, and medical, building/improving homes | To purchase inputs |
| Loan size* | Max \$10,000 | Max \$10,000 | Max \$10,000 | Max \$5,000 | |

Source: VIRL Reports

As a result of the limited and most times unavailable sources of finance the respondents gave the following as reasons to why they borrow money or engage into micro-credit programs.

These would however, be supported by the loan options above provided by the institution.

Fig. 8



Source: Researchers field survey 2018

From the questionnaires received by the researcher, it shows that most of the money borrowed by the respondents is used for income generating projects. Most of the loans are used in such activities as they retain profit that was not previously earned. These retains are then used in sustaining the borrower’s livelihoods and providing basic needs i.e. food, clothing, education and healthcare.

4.4 Impact of microfinance on household lifestyle in Makoni

VIRL clients one female, (left) and two males and brothers (right). The lady (name anonymous) is a cross boarder and she gets most of her stuff from Mozambique and Mussina. The two brothers are tailors. This activity was done in order to measure the impact of the loans rendered to clients and how they are sustaining both their businesses and lives.

VIRL which enabled women to order a variety of clothes and shoes. This boosts their business. In addition, it emphasized how women run business are contributing to their family incomes. Most women were now able to pay tuition for their children in universities. One VRL recipient of the loan was able to avoid \$800/semester for her daughter who was studying at Bindura University. She was also paying \$650.00/term for her son whoa in high

Bradley. Furthermore, she was also able to pay her bills and buy groceries. Below are the sales made by the lady

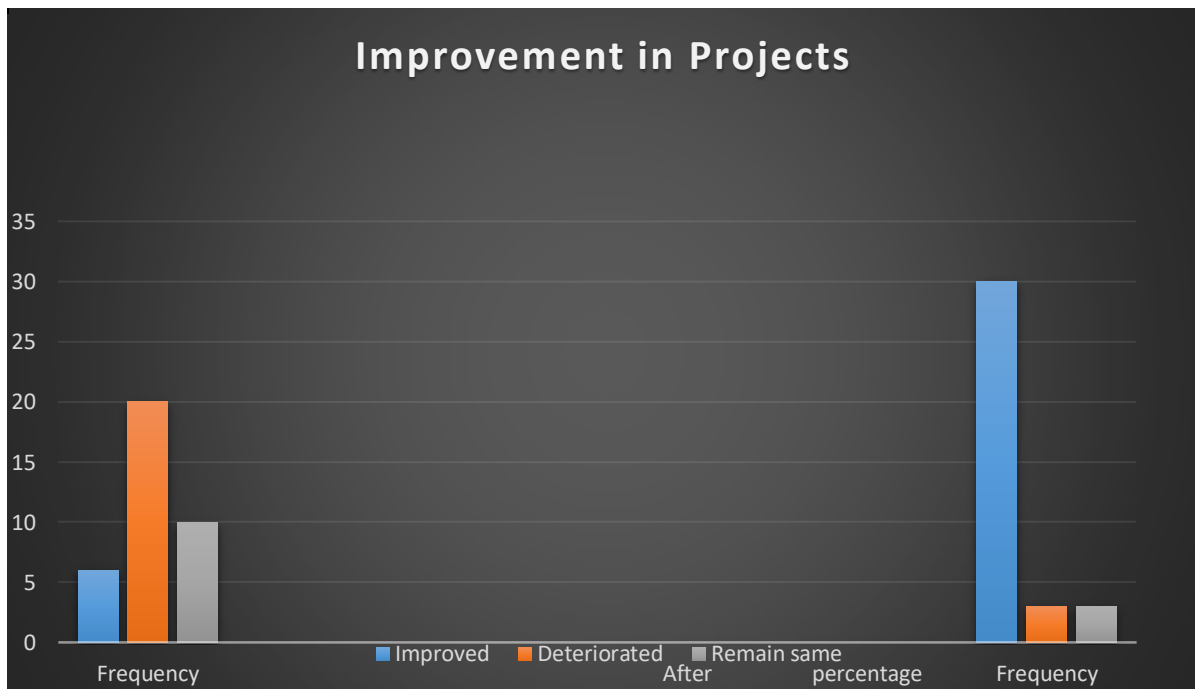
Fig 10: Sales of Mrs. XXX, VRL Beneficiary

| <u>Sales per day</u> | <u>Sales per week</u> | <u>Sales per month</u> | <u>Purchasing clothes per month</u> | <u>Expenses incurred</u> |
|-----------------------|-----------------------|------------------------|-------------------------------------|---------------------------|
| \$90-\$100 | Over \$300 | \$1800+ | 3 times | Food |
| <u>Bad day</u> | | | | Transport |
| \$20-\$50 | | | | Table |
| <u>Average</u> | | | | Shop assistant |
| | | | | |
| \$60 | | | | <u>Total:</u> \$69 |

Source: Researchers questionnaires 2018

4.5 Improvement in projects leading to better livelihood

Fig 11



As illustrated above, 55.5% client's businesses deteriorated as they did not have access to financial services, 27.7% remained the same without any changes and a few represented by 16.6% improved. This maybe so, as they have access to other sources of finance. As illustrated earlier a number of female respondents are married (77%) have a high possibility that their spouse works thereby relying on the salary which will contribute to the businesses or projects. Some are over the age of 45 and have children who may offer to render financial assistance which may boost their businesses. The intervention of micro-credit programs however, improved the status of the business with 83.3% (which has a positive gap of 27.8%) improvement, with 8.3% deteriorating and remaining the same respectively.

The study results reflect that there is indeed a strong nexus between microfinance participation and livelihood. In addition, it was also acknowledged in the questionnaires particularly by those who venture in to farming claiming that most seasons they experience a bumper harvest with over 200% through participating in microfinance. This is so as the microfinance institution studied provides a product "Dura" which prioritise farmers by giving them farming inputs and machinery which indeed increases their production. The surplus produced are then taken on the market i.e. Grain Marketing Board (GMB) to generate monetary profit which goes a long way in sustaining the rural community in health care, education, food security and many basic needs needed.

They were other respondents who reported that their businesses were deteriorating and some unchanged represented by the 8.3%. These were mainly from poultry, cross boarder traders as they claimed that the market was flooded. Adding on, this has led to the decrease in meeting up deadlines to pay for the interest rates let alone the loan itself. This has however seen a great decrease from what had been before. Fairly reflecting how the phenomenon if not used strategically may surely lead to debt trap

4.6 Saving habits of clients

As part of the micro-credit program, clients are granted an opportunity to become members of CABS a local bank institution which has a TEXTACASH account. CABS has a number of branches across Zimbabwe with its dominance in the rural community of the country. This has seen a number of Makoni dwellers having access to the banking facilities through microfinance. It is also important to state that through the access of TEXTACASH clients have a benefit of low interest rates, which enables them to deposit and withdraw their monies without a large amount taken. This has been attested by a number of respondents particularly vendors and cross boarders who get money on a daily basis from their sales. By saving it has been shown that their business productivity is always at peak which enables them to sustain it and improve their livelihoods. Savings have also made it possible for the clients to enjoy basic needs such as health care, education and food.

4.7 Summary

The purpose of Chapter 4 was to present, discuss and analyse the findings obtained from the research. Results investigated were presented with regard to the research objectives. The main aim for the researcher was to carry out an analysis on the contribution of microfinance on the livelihood of rural communities of Manicaland with great emphasis on Makoni district. Various views were provided by respondents with regards to the objectives which were rendered to them in form of questionnaires via email, skype calls and phone calls. Quantitative data was processed and presented in form of tables, graphs, pie-charts, pictures and histograms. Chapter 5 highlights the conclusion from the analysis and provides recommendations on the topic.

Chapter 5

Conclusion and Recommendations

5.1 Introduction

The final chapter, provides a summary of the study, major findings of the study and concluding on each discussion area as navigated by the objectives of the study. In addition, an analysis of what came out of the study as guided by the literature consultation will also be addressed before recommendations and areas for further study are presented.

5.2 Summary

The research study focused on the impact of microfinance on the livelihood of the rural communities in Makoni district. The study sought to analyse the contribution of micro-credit to the soundness, viability and sustainability of the rural communities in Zimbabwe. Objectives of the research were; to explore the impact of microfinance on the livelihoods of the rural members from the district in participating in microfinance programmes, identify challenges faced in administering microfinance in rural communities and evaluating whether the existence of MFI's enhance savings culture in rural communities and the economy of the country. Chapter one (Problem and its Setting) defined the problem or gap which stimulated the researcher to carry out the study and justify the relevance of study. The findings revealed by the study would assist policy makers in government ministries. Chapter two (Literature Review) gave reference to profound scholars and their publications to have a better understanding on different views on the phenomenon of microfinance and its impact on rural livelihoods.

The researcher employed a quantitative research methodology in Chapter three. A total of fifty (50) questionnaires were distributed to both VIRL clients and employees in order to get relevant information. A response rate of 92% was obtained from the returned questionnaires.

A further investigation was made by the researcher through phone and Skype calls to strengthen the analysis and reporting which was presented in chapter four.

5.3 Conclusion

The data compiled by the researcher revealed the following:

- Household lifestyle (food, clothes, health care, education) has improved due to participating in microfinance programs.
- Improvement in income generating projects which has a positive bearing on rural livelihood.
- Micro-credit programs have initiated and improve saving habits of clients and assisted with making it possible for communities to be members of commercial banks.
- It can also be seen that through microfinance the rural community has been empowered.

As noted in other studies, the measure of household well-being includes income per-capita, total expenditure, food expenditure and savings. The study review that the program increased income for those who acquired loans. It was well noted that households that had existing self-employment activity have the priority to decrease their non-durable consumption as save and borrow to expand their business activities. Also, households that had no a pre-existing activity increase in food and durable expenditure and no effect on business outcomes are observed, these likely faced debt trap and further impoverishment.

5.4 Recommendations

In the course of researching on the impact of microfinance on the livelihoods of rural people there were loopholes that were depicted by the researcher. In this regard, she suggested a number of recommendations that could assist in reducing identified loopholes. As microfinance is an important phenomenon in reducing poverty in the livelihoods of rural people, the following recommendations can be of great assistance:

1. To achieve sustainable poverty reduction in rural communities there is a need for implementing a program that will allow those who do not have already existing projects and afford them an opportunity to borrow loans from microfinance institutions. This can be attainable if there is a working relationship between MFI's, government, private sector and individuals aimed at reducing poverty in rural areas. With the aim of supporting the disadvantaged communities the partnership will go a long way in eliminating the dependency syndrome that comes with the non-profit assistance.

As propagated by the Sustainable Livelihood Approach, the poor are aware of their status and through harnessing their own resources, the rural communities are empowered to make strategic economic decisions that affect their lives and ultimately lead to reduction in poverty and eventually resulting in sustainable livelihood.

2. Availability of a conducive environment for exporting products, established markets for clients for clients to showcase and sell their products. This is an important prerequisite as this will guarantee retain profits and an increase in income which will not only sustain the MFI's operations but also improve rural livelihoods.

3. Following the improved markets, there will be need for MFI's to increase large credits for clients. As noted in chapter 4, income generating projects and other entrepreneurial activities being carried out by target population showed how successful they are and a loan increase will have a great multiplier effect on rural entrepreneurs' income, going a long way in bettering their livelihoods.

4. Furthermore, MFI's seem to dwell more on micro-credit as proven in the research study. There are other branches relating to microfinance like micro-savings and micro-insurance which is of great significance especially to the poor and socially marginalised households and individuals. Indeed, micro-credit plays a pivotal role in

the livelihoods of those marginalised but also savings, insurance, payment services and fund transfers has a long term and greater impact in assisting them out of poverty. This however will complement the efforts of savings that microfinance does as the low income households will manage to plan for the unforeseen expenses.

5. As mentioned by Karlan (2007), the importance of trainings and business/financial literacy have an unwavering impact on educating rural clientele with an end result of sustainable businesses. This however, should not be done once of upon acquiring a loan by clients but rather regularly to engrave an entrepreneurial mind-set. This can be attained successfully by MFI's partnering with Rural Districts within rural areas by providing ongoing training and equipment. It will also educate non-clients to apply for financial services and understand better how to maintain their businesses.

5.5 Scope for further research

After carrying out the study, the researcher found it relevant to conduct other researches with in the same area. Suggestions for further study could be the following.

- It could be worthwhile to consider the impact of training and education on the viability and sustainability of MFIs
- Importance of financial inclusion to the rural community
- The impact of MFI's in the livelihoods of vulnerable people/ women in rural societies.

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APPENDIX 1: Questionnaire for Makoni District Clients:

I am a student from Midlands State University undertaking a Bachelor's Honours Degree in Development Studies. As part of my study I am carrying out a research study entitled, Impact of Microfinance in the livelihoods of rural communities; A case of Makoni District. May 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 [] 12

1.2 AGE GROUPS

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

1.3 Marital Status

Single [] Married [] Divorced [] Widow []

Number of people in your household? []

1.4 Education

Primary [] Secondary [] Tertiary [] Never attended school []

1.5 Occupation

Employed [] Self Employed [] Housewife [] Family Owned Business []

Part 2:

2.1 What are the reasons of becoming a client of VIRL microfinance?

i)

ii)

2.2 What is the main purpose of the loan

i)

ii)

2.3 Currently how much have you borrowed from the institution?

2.4 What is the interest rate for your loan? [%]

2.5 Did your business productivity change after engaging the MFI?

Improved []

Remained the same []

Deteriorated []

Kindly explain your answer above

2.4 How did the productivity in your business affect your day to day life (livelihood)

i)

ii)

iii)

2.5 How will you describe status of your household before you engaged micro credit?

| | Increased | Decreased | Deteriorated | No Change |
|---------------------------------|-----------|-----------|--------------|-----------|
| Business production | | | | |
| Assets(specify e.g. livestock,) | | | | |
| Household | | | | |

| | | | | |
|---|--|--|--|--|
| income | | | | |
| Food security | | | | |
| Access to basic needs i.e. education, health care | | | | |

2.6 After being a member of the MFI what has changed in the following matters:

What are the challenges that you face with the MFI?

High interest rates []

Small loan size []

Other please specify

APPENDIX 2: Questionnaires for VIRL employees:

1. What are the main issues discussed at meeting by clients?
2. What is the maximum and minimum amount of loan allowed for clients (particularly in Makoni)?
3. What is the attitude of the community in general and clients in particular towards the Organization?
4. How do you evaluate the participation of clients in the ISALS activities?
5. Are there any changes in the income and well-being of ISALS participant?
6. What are the income generating projects that ISALS participants carried out?