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THE IMPACT OF MICROFINANCE ON ENTERPRISES AND SPECIFICALLY THOSE OWNED BY WOMEN

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ACRONYMS

DFI	**Development Finance Institutions**
ESAP	**Economic Structural Adjustment Program**
MERP	**Millennium Economic Recovery Program**
MFIs	**Micro-Finance Institutions**
NERP	**National Economic Recovery Program**
NGOs	**Non-Governmental Organisations**
OECD	**Organisation for Economic Cooperation and Development**
WDSCU	**Women Development and Savings Credit Union**
ZAMFI	**Zimbabwe Association for Micro-Finance Institutions**
ZIMPREST	**Zimbabwe Programme for Economic and Social Transformation**

Executive Summary

1 INTRODUCTION

This study examines the impact of micro-finance on enterprises and livelihoods of women and other poor. It is the product of concern with the extent to which the twin objectives of poverty alleviation and empowerment of women can be achieved through micro-finance.

The study is a reflection of the current interest among both policy makers and practitioners in the employment creation, poverty alleviation and empowerment potential of micro-enterprises. It also examines the shift in thinking over the years among opinion makers in the major development and donor institutions in the world. It argues that micro-finance institutions filled the gap in thinking between those arguing for less state intervention in the provision of credit for the poor through state and donor funded development institutions, and those arguing for the liberalization of the provision of credit through private moneylenders.

The study proceeded from the assumption that in societies characterised by gender inequalities, women`s enterprises are characterised by unequal access to resources, and in addition women lack control, at the household level, of the income they generate. Added to this is the unequal access to social capital between the sexes.

To this end, the impact of MFI loans on the development of micro-enterprises and how this affects the welfare and empowerment of beneficiaries was investigated. This was done at the enterprise, household and individual levels. The study also examined the lending practices and procedures of MFIs both from their own perspectives and that of the beneficiaries. In particular the problems the latter faced were brought out. The study also sought the views of ZAMFI as the umbrella organisation of MFIs. These views are part of the report.

2 METHODOLOGY

The study established the differences between loan beneficiaries (experiment/treatment group) and non-beneficiaries (control group). The latter tell the study of the changes that could have occurred in the absence of the loans. The former show the loan impacts. A comparison was made between female beneficiaries and non-beneficiaries and between female and male beneficiaries. The latter exercise established the gender gap, i.e. the differences in the enterprises, livelihoods and the empowerment between women and men under similar loan conditions.

The data was collected through a questionnaire that enabled respondents to provide the information asked for (structured interview), and also to express their on views (open-ended questions). Focus group interviews and case studies were conducted to enrich the analysis. This was done for both beneficiaries and non-beneficiaries.

Beneficiary respondents were randomly selected from the files of MFIs. Non-beneficiaries were identified through matching them with beneficiaries by sex, age and activities.

14 MFIs were selected from a list of ZAMFI`s 28 members at the time of the survey.

Special consideration was made of the MFI`s geographical coverage. Logistical and cost considerations of covering as many beneficiaries of different MFIs as possible were made.

The following areas were covered: Harare, Chitungwiza, Domboshawa, Rusape and the surrounding rural areas, Mutare, Gweru, Norton, Kadoma, Tsholotsho, Maphisa, Filabusi, Gwanda and the surrounding rural areas, Bulawayo and Mawabeni. The average age of the sample was 37 years. The 30-49 age groups account for 60% of total MFI beneficiaries. 23.5% of beneficiaries are below 29 years, while those above 50 are 18.2%.

3 MAJOR FINDINGS OF THE STUDY

3.1.1 MFI lending preferences

a) MFIs loan assistance is heavily biased in favour of older enterprises than young ones. 88% of MFIs beneficiary enterprises had been in existence for at least 2 years. Only 6% of the enterprise beneficiaries had been in existence for less than one year. New enterprises have difficulty accessing MFIs finance, yet they are in greater need of such funding.

b) The bulk of MFIs lending goes to middle-aged people between the ages of 30 and 49 years. 60% of MFIs beneficiaries are in this age group. MFIs also exhibit preference for the married, i.e. 63.2% of female beneficiaries and 86.8% of male beneficiaries. Even among the younger recipients in the 20-29 age group preference is still in favour of the married i.e. 58% of beneficiaries.

c) Single females constitute 14.4% of female beneficiaries compared to 10.4% of male beneficiaries. No divorced males were beneficiaries as compared to 4% females. 18.4% of female beneficiaries were widowed compared to 2.6% male widowers.

d) There is clear preference for applicants with training related to their activities. 56.5% of female beneficiaries and 83.3% of male beneficiaries were in activities related to their training backgrounds. The percentages for non-activity related training were higher among non-beneficiaries, both male and female. Some MFIs made it very clear that they preferred clients who had undergone their own training.

e) More males than females were in previous formal employment. The study found no relationship between this observation and borrowing. In other words the previously unemployed also benefited from MFI lending. 39.8% of female beneficiaries were mainly involved in textiles and garment fabrication compared to 5.3% males. 42.1% male beneficiaries and only 6.5% female beneficiaries were involved in manufacturing related activities. This finding is not related to MFI lending biases.

3.1.2 Employment Creation

a) Data indicated that only 33% of enterprises within the sample employed at least one person in addition to the enterprise owner. The balance of two thirds was owner operated. The largest enterprise in the sample employed 30 people. Two enterprises employed 23 and 21 people each and four enterprises employed 7 people each. These were all MFIs loan beneficiary enterprises.

b) It was observed that despite the interest expressed by many stakeholders in the employment creation capabilities of micro-enterprises, they are mainly owner-operated enterprises; very few of them employ labour.

c) The study noted that this was because the loans offered to them were small, thus limiting the possibilities for expansion. This was in itself a product of the levels of MFIs capitalisation. Furthermore, the bias in MFI funding towards existing/older enterprises suggests that its net employment creation impact is minimal.

d) To go beyond the vicious cycle MFIs beneficiaries would need larger loans to enable them to generate profits that would exceed their normal day-to-day and unforeseen requirements. The employment generation capacity of MFIs is actually limited by their capitalisation. The bottom line is that MFIs financing must go beyond **poverty reduction** to **wealth creation** and employment generation. A stable macro-economic environment is a pre-requisite for achieving this objective, and particularly for avoiding a debt trap.

e) The decision to stay in the informal sector was strongest among male beneficiaries followed by their female counterparts. 62.6% of female and 81.1% male beneficiaries compared to 52.9% female and 54.5% male non-beneficiaries were not prepared to give up their enterprise even for higher income in formal employment. More non-beneficiaries were prepared to give up their enterprises for higher income. We can conclude that the loan impacts are generally positive and employment creating in that beneficiary respondents are adequately self-employed.

a) Despite the low employment figures for non-owners, there is strong evidence that these enterprises create off-shoots from departing employees who set up their own similar enterprises. 90% of these offshoots went into the same line of business as their previous employers.

b) In the case of those who worked for beneficiaries, they also realised down stream effects of MFI finance. This was almost like free borrowing for an apprenticeship.

c) These are unseen multiplier effects of MFI financing, which are quite often missing in most impact assessments. These offshoots also got assistance in setting up from more MFI beneficiaries than non-beneficiaries. 61% female beneficiaries compared to 55.6% non-beneficiaries, and 84.6% male beneficiaries compared to 50% non-beneficiaries reported giving assistance to former employees.

3.1.4 Borrowing History and Loan Use

a) Only 29.2% of beneficiaries had been borrowing for less than a year/12 months. 71.8% had been borrowing for more than year. More females had been borrowing for more than 2 years than males.

b) Quite contrary to expectations, there was no evidence to suggest that women divert loans to consumption or other non-enterprise uses more than men. They seemed to be very clear on the consequences of loan diversion just like their male counterparts.

3.1.5 Impact of Illness on Enterprises

It was a sad finding that illness impacts more negatively on women than men. This was both in terms of funds and production time diverted to attending to the ill. 41.6% female beneficiaries compared to 26.3% male beneficiaries reported diversifying both time and funds to attending to the ill.

With the advent of HIV/AIDS it was quite clear on whom this burden fell most, i.e. women. The consequences of this gendered division of functions in attending to the ill meant that female beneficiaries suffered net losses in welfare compared to their male counterparts.

3.2 LOAN IMPACTS AT THE HOUSEHOLD LEVEL

There are gaps between the different sample categories on various items of household expenditure. These gaps exist between female and male beneficiaries and between female and male non-beneficiaries. In all cases beneficiaries scored better than their counterparts. Even then there still existed gaps between female and male beneficiaries, usually in favour of males.

But the overall finding is that loans had positive impacts on the household expenditures of beneficiaries. The conclusion from these findings is that there are factors lying outside the loans, which impede the closing of the gender gap between beneficiaries.

3.2.1 Household Dietary and Other Daily Requirements

The study also observed positive loan impacts in favour of female beneficiaries on dietary items. In fact in this case the gender gap was in favour of female beneficiaries. While this is applauded, the study observes that this is in keeping with the gendered household division of responsibilities. Income increases for women are immediately translated into household expenditures, food in particular.

3.2.2 Acquisition of Household Assets

a) There were no fantastic acquisitions of household assets observed among beneficiaries. This is ascribed to the nature of these items i.e. one-off purchases suspended in times of economic crisis. It is quite possible that there could have been some respondents disposing of their assets as an income shock reduction strategy. However some purchases were noted pointing to positive impacts of loans.

b) The pattern was that first time female borrowers, as a general trend, made acquisitions after the first loan. The conclusion was that their households enjoyed immediate welfare increases whereas male beneficiaries only made purchases with the second loan.

3.3 LOAN IMPACTS AT THE INDIVIDUAL LEVEL

a) Small but commendable moves towards empowerment were noted among married female beneficiaries. This comes from the number who said they made decisions on household expenditure on their own. The issue was control over income generated to avoid loans being a method of indirect borrowing for men.

b) Similarly less female beneficiaries reported feeling worse off since the loan compared to non-beneficiaries, i.e. 2.9% compared to 4.5% In terms of self-esteem, which is the whole purpose of human development beyond the narrow confines of income poverty alleviation, female beneficiaries scored higher than female non-beneficiaries, i.e. 23.6% compared to 7.5%.

c) Joining a social organisation was used as a measure of networking and social capital. More female beneficiaries reported having joined a social organisation than non-beneficiary females, i.e. 62.2% compared to 17.6%.

3.4 ASSESSMENTS OF INSTITUTIONS

3.4.1 MFIs

The views of both beneficiaries and non-beneficiaries on MFIs give an indication of some of the problems needing attention. At the same time they give a glimpse of the level of ignorance on the missions of MFIs.

In a ranking of ease in doing business with four sources of finance by all our respondents, i.e. beneficiaries and non-beneficiaries, MFIs came first, other financial institutions (both private and public), came second, commercial banks came third while moneylenders came last. This, however, should not run away from the fact that there is a growing demand for the services of moneylenders because of their quick disbursement procedures upon production of a pay slip. The assumption is that the markets are different although quite often there could be some overlap.

85% of female beneficiaries and 89% of male beneficiaries had positive assessments of MFI lending procedures. A word of caution is in order. Firstly, these assessments were made in a comparative sense and therefore this should not preclude room for improvement.

a) Some of the positive assessments made by clients were that the loans were easily accessible, the loans were processed on time, the requirements were better than from commercial banks, they listened to clients` problems and also gave advice, and rarely disapproved an application.

b) The negative assessments came from both beneficiaries and non-beneficiaries (some of whom failed to meet the basic requirements of MFIs). Their reasons ranged from the repayment period, which they felt was too short. However in all cases none ever suggested what constituted a reasonable repayment period. Only 16 of the 143 non-beneficiaries responded to this question since most did not know much about MFIs.

c) Out of 64 female beneficiary respondents expressing loan repayment problems, 17% said that the repayment period was too short, although none suggested what a reasonable period was. Cash flow problems were expressed by 22% while a death in the family and the ensuing related costs was expressed by 17%.

d) The main sources of information on MFIs are by word of mouth (56.4%), i.e. through other MFI clients (22.1%), or through friends or family members (34.3%). The media scored very low among female beneficiaries (6.4%). The biggest source of information on MFIs is word of mouth. MFI officers accounted for (20.9%) of the information share.

3.4.2 ZAMFI

The study observed complete ignorance among respondents on ZAMFI and its mandate. It is noted that this is not surprising given ZAMFI`s focus on member MFIs rather than loan beneficiaries.

Poor communication was noted between MFIs and their branches which impedes ZAMFI`s work.

4 RECOMMENDATIONS

The following are some of the key recommendations emerging from the study:

4.1 MFIs

a) **While MFIs need to maintain sensitivity towards the married and women there is room to expand their focus to cater for other disadvantaged groups: the young, widows, the divorced, and widowers. These are vulnerable groups. They should cater for the young and new entrants who might have newer and brighter ideas.**

b) **To this end MFIs need to review their screening and monitoring mechanisms in order to remain sustainable and reduce risk. This recommendation is also made to the social partners of ZAMFI member institutions.**

c) **The core business of MFIs is lending and not training. It is desirable that given the bias towards trained loan applicants this base be expanded. It is recommended, therefore, that MFIs work with institutions that provide training in technical skills so as not to disadvantage loan applicants who might not have undergone their own training. This could be with training institutions in their respective areas of operation. Partnerships in this field would enable MFIs to concentrate on their core business and enjoy the ensuing synergies.**

d) **It is recommended that serious efforts be made in devising strategies**

for increasing the capital base of MFIs so that the loans can make more impact on employment. Funding should go beyond mere survival/basic requirements of recipients. The paradigm of MFI finance should move away from poverty alleviation to wealth creation.

e) **MFIs need to position themselves for making inputs in all national discussions on employment creation. This is an issue that MFIs partners need to take into account too.**

f) **While the concerns of MFIs in recovering their loans and on-lending is understood, it is recommended that they come up with a collective policy for dealing with defaults in cases related to HIV/AIDS. In fact they need a gender sensitive policy on HIV/AIDS.**

g) **It is recommended that funding policies make a conscious effort to take into account gender differentials in loan impact outcomes if the differences between women and men are to be closed. MFIs and their partners need to have women specific programmes in their funding policies. The current experience is that women are the majority and there is a preference for them. This bias should go beyond the track record of women in loan repayments. At the moment it would seem that this preference is self-serving and not meant to close the gender gap with men.**

h) **MFIs need to put in place better information dissemination mechanisms. This way they would be able to reach a wider market, perhaps of clients with newer ideas.**

i) **From the problems expressed by clients there is need for MFIs to examine the question of the gestation period of projects. They cannot be lumped together for determining commencements of loan repayments.**

j) **Standard ceilings on all loan applications need to be reviewed since they can stunt some enterprises with growth potential. There is need for MFIs to treat applications on a case-by-case basis.**

k) **In the absence of sources of new capitalisation for MFIs, some of them need a re-think on their minimalist approach.**

l) **There is need on the part of MFIs to exercise more flexibility on those who prefer individual lending to group lending. Part of the process will involve an improvement in screening and monitoring procedures.**

m) **Given the complaints expressed by beneficiaries there is need for constant communication between MFIs and their clients on any loan related cost changes. A slight increase in transaction costs because of preparing simple statements would go a long way in reducing some of the acrimony.**

4.2 ZAMFI

a) **There is great need to strengthen communication mechanisms with its**

client base, hoping that this information will filter down to the latter's membership. A good starting point is electronic networking with its members. Where such capacities are non-existent then efforts should be made to build them.

b) **There is no evidence to suggest that gender empowerment is the main concern among MFIs. There is need for ZAMFI, working with resource persons and institutions to develop a program for gender mainstreaming lending practices of MFIs and also gender mainstreaming the respective institutions, complete with benchmarks and measurable targets.**

c) **Beyond dealing with its client base and the communication that is growing with the Reserve Bank of Zimbabwe, ZAMFI needs to engage other stakeholders whose practices impinge on MFIs, e.g. local authorities.**

d) **There is need to set up a credit bureau for MFIs to assist MFIs in reducing loan delinquency. The electronic networking system suggested above is part of this process.**

e) **ZAMFI should lead the debate on a re-think of the modes and sources of capitalisation of MFIs.**

SECTION 1 INTRODUCTION

1.1 Background

In 1991 Zimbabwe adopted a structural adjustment programme in which micro, small and medium enterprises were expected to play a strategic role in contributing to national development through employment creation, income generation and poverty reduction.

Although small industries and the informal sector (micro-enterprises) found their way into development plans and policy documents since 1980, with the Economic Structural Adjustment Programme (ESAP) and the expected restructuring of industry, particularly 'down sizing' or 'right sizing', it was expected that large enterprises would sub-contract some of their activities to small and medium enterprises. Further, with the ensuing decline in employment, there was renewed interest in micro and small enterprises. Indeed both successor programmes to ESAP, i.e. Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) and the Millennium Economic Recovery Programme (MERP), counted on small and micro enterprises as their cornerstones for recovery. The National Economic Recovery Programme continued in the same tradition of its forerunners in this regard.

This renewed interest in small industries and micro-enterprises must be understood in its global context, for it is not necessarily restricted to developing countries and Africa in particular. The Organisation for Economic Cooperation and Development (OECD) came to the conclusion in 1985 that there was a shift towards location of production in small industry in several of its member states. This, in itself led to shifts in sectoral compositions and industrial structures (OECD, 1985).

Quite naturally these changes at the level of real production have translated themselves onto the development debate and policy prescription. What was once referred to as the informal sector is now called the micro-enterprises sector. The modes and strategies for its growth are now cast in the Marshallian industrial district, i.e. 'clusters', and 'flexible specialisation'. The view is that not only do small and micro-enterprises have a capacity to absorb more employment and improve livelihoods, but also properly nurtured, they can enable flexibility to larger industry.

In summary, Structural Adjustment Programs (SAPs) have led to rising unemployment and in some cases de-industrialisation. Small and micro-enterprises have grown in number as a result of these developments. They need to be nurtured because they have an important role to play in national development. One main element of their utility is that of economic empowerment and control.

1.1.1 Context of the Focus on Micro Finance Institutions

Micro-finance refers to the provision of various types of financial services (loans, deposit facilities, instruments for the transfer of funds) to marginal clienteles such as micro-enterprises and the poor.

From the perspective of traditional financial service providers, i.e. formal banks and other financial service providers, it is very difficult to provide to this target population. Among the reasons cited are: the small loan amounts involved compared to the transaction costs and lack of collateral among the recipients. Micro-finance attracts attention because it offers an alternative and increasingly popular source of finance to the marginalized and it is potentially welfare enhancing. But its growth usually does not spring from market forces alone. It is a product of deliberate interventionist strategies on the part of 'social investors` and sometimes the government. Because of its critical role in markets shunned by other forces of growth, the expansion of the supply of its financial services is of both policy and public interest.

In tandem with the observed renewed interest in micro-enterprises, there was a shift in thinking on the means to promote them. Hitherto the development debate had been dominated by the 'non-bankability' of the poor. This was despite the numerous studies on the informal sector, which pointed out the lack of access to finance for entrepreneurs. This is especially so with the ground breaking **1972 ILO Mission to Kenya,** which "discovered" the informal sector and brought it into the official development discourse of the major donors. Even then the thinking had been dominated by grant-aid as opposed to loan assistance.

Related to this development was the intellectual onslaught by the major financial institutions in the 1980s on Development Financial Institutions (DFIs) sponsored by governments and aid agencies (Hulmes and Morsely, 1996). The view was that DFIs had been unsuccessful in a financial sense. The World Bank's Agricultural sector Policy Paper (World Bank 1975, Annex 12) noted that over half out of a sample of 44 DFIs had arrears of over 50% per annum. This thinking found its roots in what is known as the 'Ohio School`. The general import of this line of thinking was that informal money markets were more efficient in providing credit to the poor and marginalized. As such it was against state intervention in rural credit financial markets.

Without going too deep into this debate, the major shortcoming of the Ohio School in all its tenets was the assumption that informal money markets exist and are accessible at a lower cost than DFIs. It said nothing about the relative transaction costs of informal moneylenders but merely the shortcomings of DFIs from a financial sense.

It is the gap between DFIs and state intervention on the one hand, and on the other moneylenders and the major financial institutions, influenced by the Ohio School, which was subsequently filled by MFIs with a developmental agenda. To what extent this developmental agenda is kept on track by MFIs is something remaining to be seen in this study.

1.1.2 The Focus on Women

Given the uneven power structures in developing societies, women in particular bore the brunt of this inequity. Where assistance was forthcoming it was cast in the Women in Development (WID) discourse of `female activities' as distinguished from the latter day approach of Gender and Development (GAD). In other words there was no gender mainstreaming to remove unequal access to resources and social capital between men and women. The control and access dimension was not even taken on as a critical issue in the empowerment process through Micro-finance Institutions (MFIs.) This was because of an assumption that there is a positive linear correlation between the quantitative expansions of MFIs lending and benefits to micro-entrepreneurs, women in particular. However, despite the unprecedented growth in the number of MFIs lending to women, aggregate statistics indicate that the level of poverty is increasing.

At independence in 1980, the cultural, economic and gender inequalities that existed became apparent. Several interventionist programmes were introduced with the objective of addressing these disparities. At the official level, the Government of Zimbabwe committed itself to addressing gender inequality through the setting up of a fully-fledged ministry for women's affairs. The ministry promoted various income generating projects for women. At the same time various legal instruments were put in place to empower women. Several NGOs also began programmes that sought to empower women through the provision of technical and entrepreneurial skills and the provision of capital for income generation and business start-ups.

Towards the end of the 1980s and with advent of Structural Adjustment Programmes at the turn of the 1990s, state funding for income generating projects was through ministry-administered grants. The Social Dimensions Fund could have continued this funding but had a different function. It targeted retrenchees laid off as part of structural adjustment. In other words it did not have women as specific target.

By the early to the mid 1990s micro finance institutions came onto the scene to promote development of micro enterprises and income generating activities, mostly targeting women and the poor. This advent of institutional innovation on the supply side appears to have enabled the poor and women to access credit through MFIs, though this has not been systematically documented in Zimbabwe. Improved access through this innovation has been documented in Uganda, Malawi and Kenya (Mosley…). The latter are distinguished from the rest in that they are Development MFIs, i.e. lending specifically for productive purposes, while the former engage in consumptive lending or consumption smoothing.

Presently MFIs rely on social investors for their funds and do not take deposits. The role of the social investor has been changing of late from direct programmatic interventions to the growth of private sector institutions seen as capable of providing the same service to the poor as the large-scale commercial institutions (Hanratty, M, 2002.) While the social investors still emphasise poverty reduction as one of their primary goals, MFIs are viewed as more sustainable ways of achieving this objective.

Given the marginalisation of women in societies characterized by gender imbalances, it is only natural that the issue of their access to MFIs loans would come up for scrutiny. Added to this is actual ownership and control of this process by women to avoid them acting as mere `conduits' for male borrowers. It is against this broad background that this study is set. The study is also informed by the limited economic empowerment levels of women and the overall improvement in their strategic status within society despite accessing MFIS facilities.

1.1.3 Conceptual Framework

Throughout this study the issues of concern have been to establish if the assumption that access to credits necessarily leads to the empowerment of women. **Empowerment** is understood as a process giving “a voice to the disenfranchised, in allowing the weak and the marginalized to have access to the tools and the materials they need to forge their own destinies” (Serageldin, 1991). In this sense, it is not an end in itself, but a means to an end entailing acquiring “adequate knowledge and capacity, the confidence, the help and the ideas to decide what is best for oneself, and to act accordingly in fulfilling one’s own potentials” (Udegbe,1996). Or, as suggested by Amartya Sen, it means having the “freedom to choose one kind of life rather than another”

It is always important to ask the question if organisations that give credit, MFIs included, have empowerment as an explicit objective? Are we reading too much into their own agenda and ascribing to them functions and responsibilities they are ill suited to perform. In any case even if they were, is cheap credit by itself the solution to the much more complex questions of social marginalisation and gender discrimination?

Hulmes and Mosley (ibid.), in their seminal two-volume work on micro-finance, note the following assumptions behind the thinking that more assistance to women is equivalent to their economic and social advancement, i.e.

a) women will necessarily use the loans for their own enterprises
b) these enterprises will be successful
c) women will control the derived profits
d) greater involvement in economic activities will strengthen the social and political position of women in society.

Without formal statement, these assumptions form the hypotheses of this study.

It would be rash to say what the experience is at the moment, but suffice to note that lending to women is much more complex than the above assumptions suggest. In fact they are overly reductionist and quantitative. Women have to be thought of in their multiple roles in society, as both producers and reproducers (Olawoye, 1998; Dignard and Havet, 1995). These roles are interwoven and none takes precedence over the other. Consequently any assessment of the performance of women and their enterprises has to go beyond the limitations of liberal economic theory currently in vogue in universities and multi-lateral institutions. Their choices have to be taken in the context of their wider roles. This is not to say that this does not apply to male beneficiaries of micro-finance, but since the general import of the study is to assess how women have faired, the emphasis is in order.

With that said, it is equally important to also note that micro-finance is not the panacea for development problems, but one of the terms in that complex equation which leads to development. Therefore it has to be taken within its own limitations. For micro-finance to play its meaningful role, there have to be other supportive mechanisms in the form of infrastructure, an enhancing macro-environment and good governance in all its complex forms.

Finally, this study does not take women as a homogenous group without differentiation. Even among women access to power and resources, is determined by other wider social forces at play. It remains to be seen how micro-finance either closes this gap among women, or deepens it.

1.2 Objectives of the Study

This study provides an extensive examination of MFIs activities in reducing poverty and empowering the target group i.e. mainly women. Underpinning this assessment of the performance of MFIs is the concern with the outreach and sustainability of their programmes. The study determines the nature, extent and distribution of impacts resulting from participation of women in MFI programmes. It also goes on to develop a base for informed responses by MFIs, ZAMFI and other partners, which can play a value-adding role.

1.2.1 Primary Objectives

The study first and foremost assesses the impact of MFIs activities on micro-enterprises owned by women, their impact at the household level, and their impact on individuals. To this end the study:

- Identifies the characteristics of loan recipients such as gender, and age of business, and estimates the depth of MFIs impact through loans.

- Assess and compare past and potential commercial performance of female and male owned micro-enterprises supported by MFIs.

- Assess the livelihood impact for beneficiaries of MFIs and their households.

- Identify the indirect effects of the programmes on local non-participating residents (multiplier effects).

- Assess how significant the contributions of MFI programmes are compared to other sources of finance.

- Analyse how gaps and any impediment towards gendered economic empowerment initiatives through MFIs need to be developed.

- Propose strategies for the sustainability of MFI programmes from a gender mainstreaming perspective.

1.2.2 Secondary Objectives

While not among its main objectives, the study takes note of the following:

- Understand the necessary and sufficient conditions, under which ZAMFI mechanisms for the promotion of micro-finance can be successful in increasing the outreach and sustainability of MFIs.

- Identify constraints and opportunities facing ZAMFI in its efforts to increase the access of MFIs to loanable funds,

- Examine elements of the organizational design, policies, and procedures of ZAMFI that contribute to its successful performance and enhance its relationship with its constituency.

- Improve the understanding of the policy framework and operations of MFIs by ZAMFI and its strategic partners, including IDS.

- Lead to the sharpening of the programming activities of ZAMFI and its strategic partners in the promotion of MFIs.

1.3 Methodology

Substantial progress has been made over the years on the methodology to measure the impact of MFIs on their clientele. Nevertheless debate still rages among both academics and practitioners on precisely how to do this. As such the issue is not a closed one and this study took this into account from the very beginning.

Lessons from studies elsewhere and the specific circumstances surrounding MFIs in Zimbabwe suggested that a combination of methodologies of the tools currently available i.e. ***triangulation, was*** the best option. Such a mix was meant to take into account the weaknesses identified for each research method while exploiting its strength. Furthermore, this should also obviate what Copestake *et al* see as the industry's tendency to assume a very direct chain of impact leading from access to loan capital, to improved micro-enterprise performance and to increased income and poverty reduction. They note that impact research to date has exposed a far more diverse range of pathways and outcomes.

1.3.1 Levels of Analysis

Four levels of analysis were selected to meet the stated objectives:

a) Individual level: - The study sought to establish if there were any initial differences between beneficiaries and non-beneficiaries, especially female respondents. It looked at the age distribution of beneficiaries, marital status, education levels, the relevance of type of vocational training to the present activity, and previous activities before the current micro-enterprise. Furthermore, the study established the source of inspiration for the current activity and the willingness to give it up for fulltime employment.

b) Enterprise level: - This covered the ages of enterprises, the major activities by sex, credit extension, and proxies of income given the difficulties in obtaining this type of data where there are scanty or no written records at all. The study also looked at direct and indirect employment creation among the respondents

c) Household level: The household level sought to verify the impact on poverty reduction and empowerment of women through MFI programmes. It looked at changes in household expenditure on items such as diet, household items and education, especially that of the girl-child. In the final analysis improvements of livelihoods at the household level are the ultimate objective of all economic activity, particularly in developing countries.

d) MFIs: - These are suppliers and financiers. They are the supply side of the equation and their policies and lending procedures have a direct impact not just on micro-enterprises but also on households. To this end the study examined assessments of MFI lending from the perspective of the recipients. A comparison was made with other sources of finance, e.g. commercial banks and moneylenders. In the absence of a certain level of gender consciousness their responsiveness to the needs of female entrepreneurs in a gendered lending environment may affect the performance of the latter. To this end therefore, the study raised questions related to the lending biases of MFIs. This theme is raised at the very beginning of the study and runs throughout the exercise.

e) ZAMFI: - Although secondary to the main objectives, it should provide an enabling environment through its intermediary position as an advocacy and lobby body.

f) Macro-Policy for MFIs Financing Policy and Empowerment: - The overall policy environment affects all entrepreneurial activities, especially the smallest. This theme was interwoven into the study, but especially when it came to loan assessments by the recipients.

1.3.2 Pilot Survey and Consultative Workshop

Prior to the to the main field survey, the research assistants underwent training on Research Methods and Gender Approach to Research. Two experienced researchers at the Institute of Development Studies, University of Zimbabwe, who also teach the same courses, conducted the training. This was followed by mock interviews supervised by the research team. The research assistants also received training on etiquette, breaking resistance and establishing rapport with a respondent.

Following the training a pilot survey was undertaken for a week in Harare and Chitungwiza to test the usability of the questionnaire and identify gaps in the questionnaire.

A stakeholders` pre-survey consultative workshop was held in Harare in January 2004 to source inputs from MFI practitioners, clients and prospective clients, academics and other stakeholders on both the questionnaire the research methods. During the workshop the research team presented the objectives of the study, the underlying hypotheses and the proposed research methods.

The comments were incorporated into the questionnaire and the guided the team's work.

1.3.3 Sampling Procedure

During the survey period ZAMFI had 28 members. Most of these are headquartered in Harare and Bulawayo. However these MFIs have branches outside these main urban centres. Added to this is the different clientele they may cater for. The assumption is that MFIs are not homogenous. This is compounded by the fact that there are other non-MFIS institutions that cater for the same clientele whom the study needs to take into account, e.g. the Social Development Fund.

The study covered 50% of all MFIs that were members of ZAMFI. The first stage involved getting a profile of all the geographical spread of the MFIs. Depending on the actual number of beneficiaries, a sample was drawn for the impact assessment study.

Where clients selected from MFI files were absent at their given addresses of operation the field staff were under instructions to interview non beneficiaries with matching characteristics in terms of the above criteria. This rule also applied when respondents were found missing at their residential addresses. In more than one instance the research team had to rely on the knowledge of the accompanying loan officer to identify the respondents e.g. WDSCU clients in Kadoma. In fact, in the absence of loan officers the research team would, in many instances, have had great difficulty in locating clients.

Random walk and snowball sampling methods were utilized to identify respondents. The first was most effective in areas where there was a large concentration of entrepreneurs, e.g. in flea markets, while the latter was used to utilize time efficiently.

1.3.4 Data collection methods

The most ideal situation for the success of this study would have been to establish a point of departure from a baseline study of the respondents, especially the first three levels of analysis as was the case with the Zambuko study (2001). The latter was done in two phases. A round of interview was conducted in 1997 and the same respondents were followed up in 1999 to measure any changes that had occurred at these three levels.

In the absence of such a baseline exercise this study sought to establish the qualitative and quantitative information on the baseline situation through interviews and analysis of the opinions expressed by the respondents to get at objective evidence. Stakeholders were involved in the discussion of the draft questionnaire and wherever possible information beyond that asked in the questionnaire was collected. In other words, no information was treated as irrelevant, no matter how much it deviated from the interview.

The study used the following data collection methods:

- A semi-structured questionnaire was used to gather data on demographic characteristics, enterprises, households and individuals.
- Focus group meetings were conducted with both beneficiaries and non-beneficiaries. This was meant to go beyond the limitations of one-on-one interviews.
- Interviews with MFI field staff. The advantage of this approach compared to talking

to MFI head office staff is that it gave an insight into the practical operational issues faced by MFIs.

- Interviews were conducted with ZAMFI staff on two occasions.
- The study team also attended a joint Reserve Bank of Zimbabwe/ZAMFI outreach workshop with MFIs and moneylenders on the new registration requirements for the latter.

1.3.5 Estimation Procedure

The major task is how to isolate other factors that may have an impact on the same variables that the evaluation seeks to link to the activities of the MFIs e.g. other sources of income or lending- migrants` remittances, bequests/loans from relatives, other donor activities. To this end special care shall be made to elicit this information without creating an impression of investigating ` double-billing' on the part of respondents, for this might lead to under reporting and prejudice the results of the evaluation.

Through the use of a questionnaire administered to both the control group and the treatment group, quantitative data was used to establish the difference between the two by taking the **double difference** in the selected sample means. N.B. Taking the difference between beneficiaries and non-beneficiaries before an intervention, in this case a loan, and the differences in outcome between the two groups after the intervention arrives at the double difference:

The study was interested in the following:

- Differences between the female treatment and control groups and
- the differences between the male and the female treatment groups.

The first estimation informed the study how participant women benefited vis-à-vis their non-participating counterparts. The second estimation was comparative purposes to establish the **gender gap.**

1.3.6 Validity of Findings

This study was undertaken under conditions of hyperinflation. The inflation rate in the preceding year, i.e. to which most of the analyses refer, averaged over 600% per annum. In such conditions it is very difficult for any business to make long-term plans. This is more so for smaller enterprises. Inflation has a debilitating effect on both enterprises and households. When prices are very unstable and rising daily household expenditures and input costs are equally affected. This situation was not helped by a thriving parallel market for both household consumables, and production inputs.

Related to inflation was the general unavailability of foreign currency that led to further market distortions.

Conducting an assessment of MFI loans under such conditions was not an easy task for the following reasons:

- The value of loans given to entrepreneurs was not immune to inflation. A lead-time of a week, i.e. between submission of the application and actual collection, is subject to the variability of prices.
- The perception of loan recipients on the adequacy of loan amounts granted by MFIs was influenced by their understanding of the effects of inflation. This is especially so where the clients imagine that MFIs are capable of giving higher amounts. This in itself does not take into account the constraints under which MFIs are operating.
- It was not always easy to fully appreciate the positive impacts of loans

SECTION 2 PROFILES OF MFIs LOAN BENEFICIARIES: IMPLICATIONS ON LOAN IMPACT

This section presents the distribution of the sample by geographical area, gender, age, marital status, educational attainment, previous training and previous activities. The objective is firstly, to show that the sample of the study is a correct reflection of the total population of MFI beneficiaries. The presentation therefore provides a broad picture of who MFI beneficiaries are. In particular, geographical coverage is presented to demonstrate that sample coverage was nationally representative.

Secondly, some sample distributional variables e.g. age, marital status, have a direct bearing on the potential social impact of MFI loans at household level, and these issues will be brought out as the discussion progresses. Educational attainment and previous training have a bearing on the potential performance of enterprises, whether they are MFI loan beneficiaries or non-beneficiaries.

2.1 Geographical Distribution of Sample

Table 1 below presents the geographical distribution of the sample. The study covered all the major areas where ZAMFI member MFIs are concentrated. These areas are Harare, Bulawayo, Mutare and Gweru. Most MFIs have branches in other areas outside the above-mentioned large urban areas. The geographical areas covered by the study as reflected in the table below cover most of the areas where ZAMFI member MFIs have offices, except Masvingo and Mashonaland Central.

Table 1 Sample geographical distribution by sex

	FEMALE	MALE	Total
HARARE	46	7	53
	13.0%	2.0%	15.0%
CHITUNGWIZA	38	22	60
	10.8%	6.2%	17.0%
DOMBOSHAVA	12	3	15
	3.4%	.8%	4.2%
NORTON	5	4	9
	1.4%	1.1%	2.5%
BULAWAYO	52	8	60
	14.7%	2.3%	17.0%
MAWABENI	7	1	8
	2.0%	.3%	2.3%
GWANDA	15	5	20
	4.2%	1.4%	5.7%
TSHOLOTSHO	11	3	14
	3.1%	.8%	4.0%
MAPHISA	10	8	18
	2.8%	2.3%	5.1%
FILABUSI	16	5	21
	4.5%	1.4%	5.9%
GWERU	9		9
	2.5%		2.5%
KADOMA	10		10
	2.8%		2.8%
MUTARE	24	12	36
	6.8%	3.4%	10.2%
RUSAPE	15	5	20
	4.2%	1.4%	5.7%
	270	83	353
Total	76.5%	23.5%	100.0%

The above area coverage was determined by both cost and logistical considerations. For maximum coverage, a decision was made to target areas with more than one ZAMFI member MFIs operating. Where there was information on the existence of clients of a particular MFI along the route to a chosen destination, the field team made efforts to meet them where this was possible.

70% of the sample was urban based and the remainder was rural. Besides logistical considerations, this reflects the geographical concentration of micro-enterprises in urban and peri-urban areas. This was therefore a fair representation of the distribution of MFI clients.

2.2 Age Distribution of Sample

Table 2 below presents the age distribution of the sample. The average age of the sample respondents is 37 years, with ages ranging from 18 to 76. Most of them are in the 30 to 39 age group, i.e. 33%, followed by the 40 to 49 age group with 25.5%. These two age groups combined account for 60% of total MFIs beneficiaries. 23.5% of the beneficiaries are below 29 years, while those above 50 are only 18.2% of the total beneficiaries. Of special note are those who are over 60 who make 3.4% of the sample. Strictly speaking these are pensioners who are still making a living from micro-enterprises.

Table 2 Age distribution of beneficiaries and non-beneficiaries by sex

Age group	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
15 to 19			2	3	**5**
			2.1%	6.7%	**1.4%**
20 to 29	24	7	28	18	**77**
	13.8%	18.4%	29.5%	40.0%	**21.9%**
30 to 39	63	15	26	12	**116**
	36.2%	39.5%	27.4%	26.7%	**33.0%**
40 to 49	50	8	27	5	**90**
	28.7%	21.1%	28.4%	11.1%	**25.6%**
50 to 59	29	7	12	4	**52**
	16.7%	18.4%	12.6%	8.9%	**14.8%**
60 to 69	8	1		2	**11**
	4.6%	2.6%		4.4%	**3.1%**
70 to 79				1	**1**
				2.2%	**.3%**
Total	**174**	**38**	**95**	**45**	**352**
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The above distribution shows that the younger generation have less chances of getting financial assistance from MFIs. Further probing showed that there was a general preference for giving loans to those potential clients perceived as mature, with entrepreneurial experience and assets (that could be used as collateral). Furthermore younger applicants with smaller families or none are perceived to be relatively more mobile in terms of residence. This has implications for payment enforcement and debt collection in case of default on loan repayments. The bias in favour of the married is supported by the fact that even within the 20-29 age group, there is still preference for married applicants, i.e. 58%.

Most beneficiaries in the 50 plus age group were from one particular MFI that specially caters for them. There is therefore a general bias against the aged.

Given the above observations it can be safely said and concluded that the bulk of MFI finance goes to the 30-49 age group and the married. This preference has implications on the impacts of loans on poverty alleviation, employment creation and livelihoods. Firstly this age normally has greater social responsibility than the youth, single and the aged. Extra income generated by this age group is more likely to be used in improving the livelihoods of more people than would be the case of the youth. In other words a dollar investment in this age group, assuming equal returns on investments is likely to have greater impact on livelihoods.

The other side of the coin is that, in general, unemployment is higher among the youth. This is a very volatile and impressionable age group and requires some special attention. They are the future leaders who require nurturing. Early adult life experiences determine their future productive capacities and fulfilment of their potential roles in society.

And yet unfortunately their social impacts on family livelihoods in general are less than what would be the case with the 30-49 age group because of fewer responsibilities.

2.3 Marital Status

The next attribute of the sample that the study examines is marital status. Respondents were asked to indicate whether they were single, married, divorced or widowed. The results are presented in table 3 below.

Table 3: Marital Status for beneficiaries and non-beneficiaries by sex

Marital Status	female beneficiary	male beneficiary	female non-beneficiary	male non-beneficiary	Total
single	25	4	19	9	**57**
	14.4%	10.5%	19.8%	20.0%	**16.1%**
Married	110	33	56	35	**234**
	63.2%	86.8%	58.3%	77.8%	**66.3%**
Widow/er	32	1	15	1	**49**
	18.4%	2.6%	15.6%	2.2%	**13.9%**
Divorced	7		6		**13**
	4.0%		6.3%		**3.7%**
Total	**174**	**38**	**96**	**45**	**353**
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 3 above shows that MFIs have a preference for married people in giving loans. 63.2% of female beneficiaries and 86.8% of male beneficiaries were married. However it is interesting to note that despite the general bias against single potential borrowers, single women fared better than males in accessing loans from MFIs. This probably arises from the perception that female single borrowers are relatively more reliable than male single borrowers. Single females constituted 14.4% of total female beneficiaries, while male beneficiaries were only 10.5% of total male beneficiaries. No divorced males benefited from MFI loans whereas 4% of the female beneficiaries were divorced. 18.4% of female beneficiaries were widowed compared to only 2.6% male widowers.

It can generally be said that the youth/single, the divorced and the widowed are disadvantaged sections of society. The above findings indicate that MFIs are more sensitive to the needs of disadvantaged females compared to males.

This gives general indications to the fact that MFI loans may have greater positive social impact on women than men all other things being equal.

2.4 Highest Educational Level

Table 4 below presents the educational attainment profiles of both beneficiaries and non-beneficiaries.

Table 4 Highest educational level of beneficiaries and non-beneficiaries by sex

	Female beneficiary	Male Beneficiary	Female non-beneficiary	Male non-beneficiary	Total
Primary	59	12	27	9	107
	34.1%	**31.6%**	**29.0%**	**20.0%**	**30.7%**
Secondary	108	24	59	32	223
	62.4%	**63.2%**	**63.4%**	**71.1%**	**63.9%**
A level		1	1	1	3
		2.6%	**1.1%**	**2.2%**	**.9%**
University	2		2	1	5
	1.2%		**2.2%**	**2.2%**	**1.4%**
Tertiary	4		4	2	10
	2.3%		**4.3%**	**4.4%**	**2.9%**
None		1			1
		2.6%			**.3%**
Total	173	38	93	45	349
	100.0%	100.0%	100.0%	100.0%	100.0%

The educational level profiles of the beneficiaries and non-beneficiary respondents are very similar. What this means is that any differences in enterprise performance between beneficiaries and non-beneficiaries, and among beneficiaries, between males and females, cannot be attributed to differences in educational attainment.

About one third of MFI beneficiaries have primary education. The bulk of the beneficiaries (sixty two to sixty three percent) have secondary education. Only about 4% have tertiary and higher education. What this means is that most of the MFI beneficiaries have the capacity to keep business records – whether they do so or not. They also have the capacity to undergo small enterprise business management training programmes to strengthen their capabilities in this area.

2.5 Relevant Training

Past activity or occupation was investigated from the assumption that there is some difference in entrepreneurship capacity and performance arising out of past experience. This is more so if one pursues the same line of activity as her/his past occupation. Table 5 below presents the results of the investigations.

Table 5 Type of vocational training of beneficiaries and non-beneficiaries by sex

Type of vocational Training	FEMALE BENEF.	MALE BENEF.	FEMALE NON-BENEF.	MALE NON-BENEF.	TOTAL
Linked to Activity	48	10	11	5	74
	56.5%	**83.3%**	**33.3%**	**35.7%**	**51.4%**
Not linked to activity	37	2	22	9	70
	43.5%	**16.7%**	**66.7%**	**64.3%**	**48.6%**
	85	12	33	14	144
Total %	100.0%	100.0%	100.0%	100.0%	100.0%

Chi square level of significance: $p=0.009$

Of those who responded to the question, 56.5% of the female beneficiaries were engaged in activities that were linked to their training backgrounds, while 43.5% were not. There was a much higher proportion of those with relevant previous training among males than females. 83.3% males had such training and only 16.7% did not have.

Comparison of beneficiaries and non-beneficiaries produced interesting and opposite results. There was a greater number of both female and male non-beneficiaries who **had not** received training linked to their activities. The percentages of this category were 66.7% and 64.3% for female and male non-beneficiaries respectively. Only about a third of non-beneficiaries had training linked to their lines of business.

The natural expectation is that those who were engaged in activities linked to their training backgrounds are expected to perform better. The implication of the findings is that beneficiaries are likely to perform better than non-beneficiaries since more of them had training backgrounds linked to their business pursuits. Some MFIs made it clear that they preferred clients who had undergone their own training. From a loan assessment perspective it makes common sense to prefer someone who has past knowledge on what they would like to do.

2.6 Previous activities

This study examined previous activities of both beneficiaries and non-beneficiaries with the view of establishing initial differences and assessing the employment generation capacity of MFI loans through small enterprise development. The results are presented in table 6 below.

Table 6 Previous activity of beneficiaries and non-beneficiaries by sex

	Female beneficiary	Male Beneficiary	Female non-beneficiary	Male non-beneficiary	Total
Formal	42	16	16	19	93
	24.3%	42.1%	16.8%	44.2%	26.6%
Farming	12	3	8	4	27
	6.9%	7.9%	8.4%	9.3%	7.7%
Similar Enterprise	51	7	34	9	101
	29.5%	18.4%	35.8%	20.9%	28.9%
Part-formal/ Informal	32	7	11	4	54
	18.5%	18.4%	11.6%	9.3%	15.5%
Casual	4	4	5	2	15
	2.3%	10.5%	5.3%	4.7%	4.3%
Unemployed	32	1	21	5	59
	18.5%	2.6%	22.1%	11.6%	16.9%
Total	173	38	95	43	349
	100.0%	100.0%	100.0%	100.0%	100.0%

Note: *Formal means involvement in activities such as manufacturing and mining sectors, normally as employees.*

Firstly, no relationship was found between one's past occupation and borrowing. In other words the decision to borrow was not influenced by occupational history.

However, the following interesting observations emerge from the table among the beneficiaries of MFI loans.

- More males than females were previously engaged in formal employment (42.1% compared to 24.3%). This observation is in keeping with the findings of the Third GEMINI study on micro-enterprises in Zimbabwe. The latter observes that more males entered informal employment after the launch of the structural adjustment programme at the turn of the 1990s and the retrenchments that followed.
- More males than females were previously engaged as casual labourers (10.5% compared to 2.3%).
- More females than males were previously unemployed

Almost all of those who were previously employed had been retrenched and were therefore going to join the pool of unemployment. The sum of those previously in formal employment, casual labour and the previously unemployed provides a proxy of the employment creation impact of micro-finance through small enterprise development promotion. The result is that 45.1% and 55.2% of the respondents **started to make a living from this source.**

It is to be further observed that there is a greater proportion of women who were engaged in similar enterprises before their present activity. In other words women have been in the informal sector much longer than their male counterparts. Similarly there are more female respondents who report having been unemployed before.

SECTION 3 IMPACT OF MFIs LOANS AT ENTERPRISE LEVEL

This section examines the impact of MFIs loans on the development of micro and small enterprises. These enterprises have an important role to play in national development through employment creation and income generation, thereby improving the livelihoods of both owners of the enterprises and their employees.

Standard practice of loan impact analysis at the enterprise level contains an implicit assumption that improvements in enterprises performance (due to MFIs loans) is translated into improvements of livelihoods through the income parameter. The analysis normally seeks to establish the incremental performance of enterprises due to loan access in terms of profitability and enterprise growth. Growth can be viewed in terms of turnover, value of assets and employment. The first two are expressed in monetary terms while employment is in absolute numbers.

The macro-economic environment prevailing in Zimbabwe in the two years preceding this study was volatile and characterised by unprecedented high levels of inflation that went as high as 600% per annum. Further, the rate of inflation was actually rising over time. This situation caused problems in both data collection and interpretation. As pointed out before in Section I, in the absence of a previous baseline study of the enterprises, the study had to rely on the memory of the respondents to compile data on enterprise performance, given that most of the enterprises did not keep adequate records. This memory was obviously affected by the rapid changes in prices of both inputs and outputs. Further, in cases where data was available, the prices of similar assets acquired during the same year varied to the extent that it became meaningless to compile and compare enterprises performance on that basis.

Given the above situation, the study adopted a strategy of developing a proxy of enterprises performance. This was done by finding out whether the entrepreneurs would leave their business for stable employment that provides salaries/wages that were equal to, or above current incomes from enterprises. Data for enterprise performance in terms of employment generation was available.

3.1 Enterprise Characteristics

Below is presented the enterprise characteristics in terms of the activities they are involved in, ownership of the capital equipment, age of enterprises and whether the enterprises keep records or not. This information provides a basis for making inferences on impact of MFI loans on enterprise development.

3.1.1 Range of activities

There is great diversity in the activities undertaken by micro-entrepreneurs. These were classified into six groups. Agriculture and related products was the easiest to handle and includes poultry. So was food processing. Buying and selling is all encompassing and captures virtually any item purchased for the sole purpose of resale i.e. from paraffin to household items and clothing. To give a clearer picture, any item found at the numerous flea market stalls mushrooming in both rural and urban areas were included in this category.

Textiles and garment fabrication are also fairly easy to classify. Other services were hairdressing shops, educational services, stationery, mobile telephone shops and repair services, and music outlets/services.

Other manufacturing services are a little bit more complicated since they include mining and construction services. Mining operations are gold panning which has become very rife in some parts of the country.

Table7 below provides a breakdown of the range of business activities that benefited from MFI loans.

Table 7 Main line of Business * beneficiaries by sex

	Female beneficiary	**Male beneficiary**
Agriculture and related products	22.5%	21.1%
Food processing	5.2%	7.9%
Buying and selling	19.1%	15.8%
Textiles and garments	39.3%	5.3%
Other services	7.5%	7.9%
Other manufacturing activities	6.5%	42.1%
Total	100%	100%

While both male and female beneficiaries of MFI loans are involved in all categories of activities, it is important to note that there are very clear gender participation disparities in the case of textiles and garment fabrication, and what has been classified as “other manufacturing activities”. 39.3% of female MFIs loan beneficiaries were involved in textiles and garment fabrication, compared to only 5.3% of male beneficiaries. On the other hand, 42.1% of male beneficiaries were involved in other manufacturing activities compared to 6.5% of female beneficiaries.

The question that arises is whether the above outcomes are a result of MFIs lending preferences/bias or not. Other studies have also indicated a similar pattern. See Jassat and Jirira (1987), Mupedziwa and Gumbo (1998) and Moyo (2002). This suggests that the outcome is not necessarily attributable to MFIs lending biases. But MFIs have a potential to contribute to the addressing of this gender bias by providing loans to females and males interested in venturing into areas dominated by the other sex.

3.1.2 Ownership of Capital Equipment

The study examined ownership of capital equipment and made observations that are presented in table 8 below.

Table 8 Ownership of Capital Equipment by Respondents

	YES	NO	Total
female beneficiary	110	57	167
	65.9%	34.1%	100.0%
male beneficiary	30	7	37
	81.1%	18.9%	100.0%
female non-beneficiary	35	53	88
	39.8%	60.2%	100.0%
male non-beneficiary	28	9	37
	75.7%	24.3%	100.0%
	203	126	329
	61.7%	38.3%	100.0%

Chi-square result: p=.000

The study finds a strong case for arguing that there is a strong relationship between beneficiary status and ownership of capital equipment. The table above shows that 66% of female and 81% of male beneficiaries own their capital equipment. This contrasts with 40% and 76% for female male non-beneficiaries respectively. The difference between beneficiaries and non-beneficiaries is much greater among the females. This suggests that MFI loans have a greater empowering effect on females, if this is measured in terms of enabling them to own capital equipment.

3.1.3 Ages of Enterprises

The study analysed the age profile of the enterprises with the view of making inferences on the preferences of MFIs in giving out loans based on this parameter. The findings are presented below.

Table 9 Age of Business * beneficiaries by sex

Ages of Enterprises	Female benef	Male benef	Female non-benef	Male non benef	Total
1wks to 3mnth	1		4		5
	0.6%		4.2%		1.4%
4-6 mnths	2		7	2	11
	1.2%		7.4%	4.4%	3.1%
7-12 mnths	10	2	5	5	22
	5.8%	5.4%	5.3%	11.1%	6.3%
13-18 mnths	2	1	5	4	12
	1.2%	2.7%	5.3%	8.9%	3.4%
19-24 mnths	4	1			5
	2.3%	2.7%			1.4%
2-5 yrs	50	10	26	14	100
	28.9%	27.0%	27.4%	31.1%	28.6%
5-10 yrs	50	9	23	12	94
	28.9%	24.3%	24.2%	26.7%	26.9%
Plus 10yrs	54	14	25	8	101
	31.2%	37.8%	26.3%	17.8%	28.9%
Total	173	37	95	45	350
	100.0%	100.0%	100.0%	100.0%	100.0%

The following observations can be made from the table above.

- Only 7.6% of female beneficiaries and 5.4% of male beneficiaries had enterprises that were one year or younger
- In the case of non-beneficiaries the figures were 16.9% and 15.5% for females and males respectively.

The implications are fairly clear. MFIs have a bias in lending against young enterprises, in particular, new start-ups. The bulk of MFI lending went to well established enterprises. 88% of female and 89%of male beneficiaries had enterprises that had been in existence for at least two years. There is therefore greater scope for MFIs to have greater positive impact and promote development of new enterprises by supporting more start-ups.

In terms of the expansion of MFIs services to a wider market, the strong preference for those who have been in business for a longer period is self-defeating. But from a risk perspective, there is rationality in this.

3.1.4 Keeping of Business Records

A strong relationship was found between maintenance of business records and one's beneficiary status – see table 10 below. Maintenance of business records was stronger among beneficiaries than among non-beneficiaries. Female and male beneficiaries scored the higher in record keeping than their non-beneficiary counterparts. This parity in gender is commendable. But beyond this, it shows that where MFI loans are either conditional on training in simple business management, then it is producing positive impacts among female and male beneficiaries. This result is not very surprising given the parity in the educational levels of survey respondents up to O-level noted earlier. But it is notable that beneficiaries, females in particular, have a higher record keeping score.

Table 10 Maintenance of Business Records

			MAINTAINS BUSINESS RECORD		Total
			YES	NO	
beneficiaries by sex	female beneficiary	Count	121	47	16
		% within beneficiaries by sex	72.0%	28.0%	100.0%
	male beneficiary	Count	27	11	38
		% within beneficiaries by sex	71.1%	28.9%	100.0%
	female non-beneficiary	Count	44	43	87
		% within beneficiaries by sex	50.6%	49.4%	100.0%
	male non-beneficiary	Count	23	16	39
		% within beneficiaries by sex	59.0%	41.0%	100.0%
Total		Count	215	117	33
		% within beneficiaries by sex	64.8%	35.2%	100.0%

3.2 Employment

3.2.1 Employment Creation

One of the biggest socio-economic problems facing the economy is unemployment. It is an issue which has appeared in every economic policy document since independence. Apart from export and investment growth, one of the cornerstones of the post 1990 reforms was employment creation. It is only too relevant that this study should look at the employment creation effects of MFIs.

The very existence of micro and small enterprises is gainful employment to the owners of these enterprises. In cases where the enterprises engage labour, there is additional employment creation. The impact of MFIs loans in employment creation can be viewed in terms of impact of such loans in expanding business as reflected by additional employment. It has been observed that MFIs tend to give loans to enterprises that are already in existence and in that respect, to the older enterprises. This already points to the fact that MFIs have limited impact on employment creation.

Data indicated that only one third of enterprises within the sample employed at least one person in addition to the enterprise owner. The balance of two thirds were owner operated. The largest enterprise in the sample employed 30 people. Two enterprises employed 23 and 21 people each and four enterprises employed 7 people each. These were all MFI loan beneficiary enterprises.

The low employment figure did not come as a surprise for the following reasons. Firstly, MFIs are by definition focused on the marginalised, those who are not reached by mainstream financial institutions because of perceived transaction costs of administering small loans. The size of the loans given to most enterprises enabled them to make profits, repay the loans and meet other household requirement. These requirements may have been anticipated or may have been cases of emergency. Beneficiaries of MFIs suffer great variability in income. The very nature of their existence means that what might pass as a minor crisis among the higher income groups quite often turns out to be a major crisis to their households. It is meeting these other household requirements that has resulted in the MFI beneficiaries failing to reinvest adequately in order to expand and increase employment. But even then incidences of labour employed as either as family or relatives are found in this sector, where 23% of beneficiaries reported using some kind of family labour.

To go beyond the vicious cycle MFI beneficiaries would need larger loans to enable them to generate profits that would exceed their normal day-to-day and unforeseen requirements. The employment generation capacity of MFIs is actually limited by their capitalisation. The bottom line is that MFI financing must go beyond **poverty reduction** to **wealth creation** and employment generation. A stable macro-economic environment is a pre-requisite for achieving this objective, and particularly for avoiding a debt trap.

3.2.2 Indirect Employment Creation

Table 11 GET INTO SIMILAR BUSINESS

	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
YES	19	7	2	3	31
	90.5%	87.5%	100.0%	100.0%	91.2%
NO	2	1			3
	9.5%	12.5%			8.8
	21	8	2	3	34
	100.0%	100.0%	100.0%	100.0%	100.0%

The indirect employment creation potential of beneficiary enterprises was sought by establishing if some employees had left employment after a while to set up their own micro-enterprises, as a result of their experience from MFI supported enterprises.

As is evident, the majority left to set up on their own. After some practical experience in working in micro-enterprises they also realised the potentials that existed and went on to do the same.

In more than 90% of the cases they went into similar enterprises with their employers. What can be said is that in the case of those who worked for beneficiaries, they also realised down steam effects of MFI finance. In other words this was almost like free borrowing for an apprenticeship. The study notes that these are quite often unseen multiplier effects of MFI financing which are quite often missing in most impact assessments. Whatever their reasons for leaving might have been, they were still able to set up on their own at the end of the day.

Table 12

ASSISTANCE GIVEN TO FORMER EMPLOYEES

			beneficiaries by				
			female beneficiary	male beneficiary	female non-ficiary	male non-ficiary	Total
ASSISTANCE GIVEN TO FORMER	YES	Count	25	11	5	3	44
		% within beneficiaries by	61.0%	84.6%	55.6%	50.0%	63.8%
	NO	Count	16	2	4	3	25
		% within beneficiaries by	39.0%	15.4%	44.4%	50.0%	36.2%
Total		Count	41	13	9	6	69
		% within beneficiaries by	100.0%	100.0%	100.0%	100.0%	100.0%

Not only do departing employees set up similar enterprises as their previous employers, they also get assistance from them. This assistance is generally higher among both female and male beneficiaries compared to non-beneficiaries.

It can be categorically stated, therefore, that MFI loans had a positive impact on employment creation not just for beneficiaries but also for their employees and the latter's employees. This is more so given that quite often they got assistance from their former employers. Continued MFI financing is something to be seriously taken up in all employment creation strategies. What is of critical importance is to make sure that these enterprises thrive in such a manner as to make them serious employment alternatives for not just the unemployed, but for the daily multiplying numbers of school-leavers.

3.3 Assessment of Perceived Benefits from Enterprises

Table 13 Consideration Of Options For Regular Employment

Regular employment	Female beneficiary	Male beneficiary	Female non beneficiary	Male non beneficiary	TOTAL
Yes, for same Income	13	1	12	3	29
	8.0%	2.7%	14.1%	6.8%	8.8%
Yes, but for higher income	48	6	28	17	99
	29.4%	16.2%	32.9%	38.6%	30.1%
No, not even for higher income	102	30	45	24	201
	62.6%	81.1%	52.9%	54.5%	61.1%
Total count	163	37	85	44	329

The findings of the study seem to run against the grain of conventional wisdom on informal and micro-enterprise participants. Wisdom has it that these enterprises tend to disappear, or rather shrink with economic booms (Mullei, 2003). While this might be a correct observation, it is quite curious that the majority, i.e. over 60% of our respondents were not prepared to give up their present activities for formal employment. Not even where higher income was offered. This is something that policymakers and mainstream economics need to take into account. It is quite possible that these responses were made with past employment experiences in mind. If that were the case then we would need to interpret them differently. But as they stand, we need to make new conclusions.

There are real possibilities that after a few years running their own enterprises, respondents are not prepared to go back to formal employment for a set routine, wage/salary and working conditions set without consultation, under fixed structure.

If we look at the responses that we got then a clearer picture emerges. Some female beneficiaries said that they made more than their husbands who were in formal employment. Micro-enterprises were generally preferred over formal employment partly because there was no need to pay taxes. Apart from independence and income tax exemption, some respondents quite clearly stated that they did not want formal employment.

However in some cases the decision to stay in the informal sector and work from home was located in the power balances in the domestic sphere. For some women they were preferred because of the flexible hours they afforded, thus enabling them to perform their dual roles as mothers and entrepreneurs.

Despite their smaller numbers in the sample, the decision to stay in the informal sector was strongest among male beneficiaries followed by their female counterparts.

More non-beneficiaries were prepared to give up their enterprises for higher income. We can conclude that the loan impacts are generally positive and employment creating in that beneficiary respondents are adequately self-employed.

3.4 Borrowing Frequency

Table 14 Period of Borrowing From MFIs * Sex

	Female beneficiary	Male beneficiary	Total
0-3 months	4	1	5
	2.4%	**2.9%**	**2.5%**
4-6 months	11	5	16
	6.6%	**14.3%**	**7.9%**
7-12 months	24	14	38
	14.4%	**40.0%**	**18.8%**
13-24 months	41	8	49
	24.6%	**22.9%**	**24.3%**
25-36 months	28	1	29
	16.8%	**2.9%**	**14.4%**
37-72 months	40	4	44
	24.0%	**11.4%**	**21.8%**
73 or more months	19	2	21
	11.4%	**5.7%**	**10.4%**
	167	35	202
	100.0%	100.0%	100.0%

From the above table, it can be easily seen that only 29.2% of beneficiaries had been borrowing for less than a year/12 months. 71.8% had been borrowing for more than a year. This preference for returning and continuing clients by MFIs has already been mentioned. This can be ascribed to the risk reduction strategies of the MFIs, but unfortunately this approach could well leave out not only other deserving cases, but also potentially viable initiatives.

40% of males reported having borrowed in the 7-12 months prior to the study. If the high inflation figures over the 12 months prior to the study are anything to go by, then it can be said that MFIS finance emerged as a reliable source for coping strategies for these males. On the other hand, females are fairly spread over the borrowing periods mentioned in the study. In fact they report higher figures for those who had been borrowing for over three years, and more so for those who had been borrowing for over 6 years. This is long before the high inflation figures witnessed a year prior to the study. The import of this remark is that not only have women had longer association with MFIs but also they saw the potential welfare enhancing effects of this mode of finance long before their male counterparts.

3.5 Loan Use

It is our belief that loan use is very useful in making any assessments on the performance of enterprises. This stems from the assumption that because of their immediate daily circumstances, there is a higher possibility that women would use their loans to cope with income shocks i.e. sudden declines in income or emergencies within the household. The study wanted to establish the extent to which the sexes differed on this important measure in the belief that there are differences between the sexes arising from different gender roles in the use of loans. This in itself was bound to have an impact on the performance of enterprises and on assessments of loan repayments.

Table 15 Loan Used Exclusively For Enterprise

		FEMALE	MALE	TOTAL
Loan used exclusively for enterprise	YES	131	30	161
		78.0%	81.1%	78.5%
	NO	37	7	44
		22.0%	18.9%	21.5%
	TOTAL	168	37	205

There were no statistically significant differences between females and males in terms of loan use. Therefore quite contrary to the above assumptions, it was not possible to find evidence that women used loans for purposes other than stated. On the basis of this observation, it would not be possible, therefore to suggest that women face lower welfare increases or lower enterprise performance than their male counterparts because of loan fungibility. Loan diversion in itself is a recipe for a debt trap for the beneficiary as they struggle to cope with repayments. Fortunately both sexes appear to be very clear on the importance of productive use of their loans

3.6 Impact of Illness on Enterprises Performance

Table 16 Impact of Illness on Business * beneficiaries by sex

Impact of illness On business	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
1. Diversion of funds attending to the sick/funeral	39	10	17	14	80
	22.5%	**26.3%**	**18.9%**	**31.1%**	**23.1%**
2. Production time attending to the sick	18	2	9	2	31
	10.4%	**5.3%**	**10.0%**	**4.4%**	**9.0%**
3. Both1&2	72	10	37	17	136
	41.6%	**26.3%**	**41.1%**	**37.8%**	**39.3%**
4. None	44	16	27	12	99
	25.4%	**42.1%**	**30.0%**	**26.7%**	**28.6%**
Total	173	38	90	45	346

The table above tries to capture non-loan impacts on enterprises. We note that fewer male respondents reported loss of production time attending to the sick. This we ascribe to the sexual division of labour within both the household and society. This interpretation is in stark contrast to the results on the diversion of funds. Men generally reported having diverted funds to attend to the sick more than women. Delegation to either women or other non-enterprise involved males enables them to continue with their activities and thus suffer less production time. No wonder then, males experience lesser losses because of illness.

However we must also note that in this case time is not factored in and therefore, the actual cost is not clear. If female had put value to their time the results could have been different, especially for female respondents facing loan repayments. Both female beneficiaries and non-beneficiaries reported higher figures of diversion of funds and loss of time attending to the sick. In the case of the former this has a more negative impact since it affects loan repayments and increases the chances of default.

SECTION 4 IMPACTS OF MFIs LOANS AT HOUSEHOLD LEVEL

This section examines the impact of MFIs loans at the household in terms of improving the livelihoods of the loan beneficiaries and their families or otherwise. This is done, firstly, by examining the pattern of household expenditure responsibility sharing and the perceived ease/difficulty of meeting the expenditures for selected expenditure categories. These are expenditures on food, rentals, health/medicines, education on both boy and girl child and clothing. Further improvements in livelihoods are assessed on the basis of acquisition of household assets such as stoves/cookers, refrigerators, television sets and furniture/kitchenware.

It should be emphasised that the MFI loan impact at the household level is transmitted via enterprise performance. The weakness in the data on enterprise performance previously mentioned, is therefore bypassed as it were. After all at the end of the day, concerns about enterprise performance arise from the desire to improve the livelihoods of persons involved.

In other words enterprise performance, particularly the MSME supported by MFIs is not an end in itself, but a means of attaining poverty reduction, empowerment and improved livelihoods.

As pointed out in the methodology, the impact of the MFI loans in this regard, is isolated by taking the double difference of outcomes (performance) before and after the loan, and that between loan beneficiaries and non-beneficiaries. The outcomes before and after the loan could only be ascribed exclusively to the loan under ceteris paribus assumptions.

4.1 Impact on Household Expenditures

Four categories of responses were sought from the respondents and they had to select one response for the situation before and after the loan respectively. These were as follows:

1. Expenses shared with spouse/other household member
2. Totally dependent on spouse/other household member
3. Meeting the bills with difficulty
4. Meeting the bills with ease

It should be noted that in the case of non-beneficiaries, there was no loan advanced. Responses therefore reflect changes in the situation over a time span coinciding with that used for loan recipients.

The results challenge the oft uncritically held assumption that women are dependants, especially in the married domestic sphere. They show that where opportunities exist, there is a decrease in this dependency.

4.1.1 Household Expenditure on Food

Table 17 below presents survey results in relation to changes in the sharing of responsibilities of expenditure on food and the ease/difficulty of meeting such expenditure by beneficiaries compared to non-beneficiaries.

Table 17 Household Expenditures on Food Before and After Receiving Loan

		Female benef	Male benef	Female Non benef	Male non benef	Total
Expenses shared with spouse/other household members	**Before Loan After Loan % change**	36.6% (56) 22.9% (36) **-13.7%**	21.2% (7) 15.2% (5) **-6%**	21.4% (15) 20.9% (9) **-0.5%**	10.0% (3) 17.6% (3) **+7.6%**	**28.3% (81) 21.2% (53)**
Totally dependant on spouse/ other household members	**Before loan After loan % change**	12.4% (19) 2.5% (4) **-9.9%**		10.0% (7)	3.3% (1)	**9.4 (27) 1.6% (4)**
Meet bills with great difficulty	**Before loan After loan % change**	34.0% (52) 11.5% (18) **-22.5%**	57.6% (19) 12.1% (4) **-45.5%**	41.4% (29) 25.6% (11) **-15.8%**	50.0% (15) 23.5% (4) **-21.5%**	**40.2% 115 14.8% (37)**
Meet bills with relative ease	**Before loan After loan % change**	17.0% (26) 63.1% (99) **+46.1%**	9.2% (7) 72.7% (24) **+63.5%**	27.1% (19) 53.5% (23) **+26.4%**	36.7% (11) 58.8% (10) **+22.1%**	**22.0% (63) 62.4% (156)**
Before loan	**Count**	**157**	**33**	**43**	**17**	**250**
After loan		**153**	**33**	**70**	**30**	**286**

The following observations and conclusions can be made from the survey results presented above.

1. In the case of female and male beneficiaries as opposed to non beneficiaries, the number of respondents sharing food expenses with spouses or other family members declined by 13.7% and 6% respectively. At the same time, the number of female totally dependent on the spouse declined by almost 10%, from 12,4% to 2.5%, while no changes occurred on the male counterparts. None reported to be dependent both before and after the loan. This outcome gives indications that MFI loans to enterprises improved household livelihoods by building the purchasing power of loan recipients, enabling them to assume greater responsibility in meeting household expenditure on food.

2. This point is reinforced by a comparison of the outcomes in the non-beneficiary category. In this category, there was a negligible (0.5%) decline in the

number of females sharing expenses on food, while there was an increase (of 7.6%) in the number of males sharing food expenses. What this means is that more males had to get assistance in food purchases from their spouses in the case of non-beneficiaries. The double difference between male and female beneficiaries and non-beneficiaries for the two periods (before and after) reinforces the above situation. It is 13.2% for the females and 13.6% for the males. This is the difference in outcome that can be attributed to the loan. The double difference between female beneficiaries and male beneficiaries is 7.6%. This is the gender gap, which is in favour of females.

3. The number of respondents meeting food bills with difficulty declined by 22.5% for females beneficiaries (from 34.0% to 11.5%). That of males beneficiaries declined by 45.5% (from 57.6% to 12.1%). For the non-beneficiaries a similar trend was observed but with lower magnitude. The number of non-beneficiaries meeting bills with difficult fell by 15.8% and 21.5% for females and males respectively. The actual decline in these meeting bills with difficulty attributable to enterprise loan is the difference between the declines on the part of beneficiaries and non-beneficiaries.

The result is a decline of 6.7% for females and 24.0% for males. The gender gap among beneficiaries is 23% in favour of males. For all categories of respondents, there was an increase in those meeting food bills with ease. The increase was larger for beneficiaries than non-beneficiaries and for males, among the beneficiaries. The actual percentage increase in the number of beneficiaries meeting the bills with ease is 46.1% and 63.5% for females and males respectively. Taking the double difference the percentage increase in numbers finding it easy to meet food bills attributable to the loan is 14.7 for females and 41.4% for males. The gender gap among beneficiaries is 17.4% in favour of males.

It can be concluded that the MFI loans had a positive impact in improving the capacity of loan recipients to purchase food. On the whole, that improvement was greater on the part of women than men. But the larger increase on the part of males compared to females might reflect the generally higher average propensity to spend on food on the part of women than man. In other words, it is much easier for men to report that it has become easier for them to meet food bills because the proportion of such bills that they meet is general lower, compared to women. This is in keeping with our earlier postulates and the findings of Gumbo et al, which showed women took on increasing responsibilities.

4.1.2 Household Expenditure on Rentals

The same pattern emerges for expenditure on rentals. Declines are reported for all categories except male non-beneficiaries whose dependency increased by 0.3%. Female beneficiaries gained 1.8% over their non-beneficiary counterparts while male beneficiaries gained 4.3% over their counterparts. The gender gap in decrease in dependency among beneficiaries is 3.1% in favour of females.

Table 18 Household Expenditures on Rentals Before and After Receiving Loan

		Female benef	Male benef	Female Non benef	Male non benef	Total
Expenses shared with spouse/ other household members	**Before Loan**	29.6% (40)	14.3% (4)	23.3% (14)	7.4% (2)	**24.0% (60)**
	After Loan	26.1% (36)	10.3% (3)	21.6% (8)	7.7% (1)	**22.1% (48)**
	% Change	**-3.5%**	**-4%**	**-1.7%**	**0.3%**	
Totally dependant on spouse/ other household members	**Before loan**	20.0% (27)		6.7% (4)	3.7% (1)	**12.8% (32)**
	After loan	5.1% (7)		2.7% (1)		**3.7% (8)**
	% Change	**-14.9%**		**-4%**		
Meet bills with great difficulty	**Before loan**	34.1% (46)	57.1% (46)	40.0% (24)	51.9% (14)	**40.0% (100)**
	After loan	12.3% (17)	13.8% (4)	40.5% (15)	46.2% (6)	**23.2% (58)**
	% Change	**-21.8%**	**-43.3%**	**+0.5%**	**-5.7%**	
Meet bills with relative ease	**Before loan**	16.3% (22)	28.8% (8)	30.0% (10)	37.0% (10)	**23.2% (58)**
	After loan	56.5% (78)	75.9% (22)	35.1% (13)	46.2% (6)	**54.8% (119)**
	% Change	**+40.2%**	**+47.1%**	**+5.1%**	**+9.2%**	
Before loan	**Count**	**135**	**28**	**60**	**27**	**250**
After loan		**138**	**29**	**37**	**13**	**217**

In terms of reduction of dependency the greatest increase is reported for female beneficiaries at 14.9%. The double difference is 14.5% in favour of female beneficiaries.

Meeting bills with difficulty reports the highest reduction for male beneficiaries, i.e. 43.3%. There is no need to belabour this finding anymore in view of what has been said earlier on the household division of responsibilities. The respective double differences are 21.3% in favour of female beneficiaries and 37.6% in favour of male beneficiaries. The gender gap among beneficiaries is 21.5% in favour of male beneficiaries.

The next results are the corollary of the last, i.e. meeting bills with relative ease. Once again the largest gains are reported for male beneficiaries followed by their female counterparts, i.e. 47.1% and 40.2% respectively. The double differences are 37.9% in favour of male beneficiaries and 35.1% in favour of female beneficiaries. The gender gap is 6.9% percent in favour of male beneficiaries.

4.1.3 Household Expenditure on Health/Medicines

Apart from the already cited roles of women in the general household division of labour, they are also society's caregivers. The findings below also tell the same story in figures, i.e. who bears the brunt of illness within the household. This is more so with the HIV/AIDS pandemic. Whatever gains are reported above have to be interpreted with this fact in mind.

Table 19 Household Expenditures on Health/Medicines Before and After Receiving Loan

		Female beneficiary	Male beneficiary	Female non beneficiary	Male non Beneficiary	Total
Expense shared with spouse/ Other household members	**Before Loan**	31.2% (39)	13.8% (4)	16.9% (10)	10.7% (3)	23.2% (56)
	After Loan	24.6% (32)	10.0% (3)	11.1% (4)	7.1% (1)	19.0% (40)
	Change%	**-6.6%**	**-3.8%**	**-5.8%**	**3.6%**	
Totally dependant on spouse/ other household members	**Before loan**	20.8% (26)	3.4% (1)	8.5% (5)	3.6% (1)	13.7% (33)
	After loan	6.2% (8)		2.8% (1)		4.3% (9)
	Change%	**-14.6%**		**-5.7%**		
Meet bills with great difficulty	**Before loan**	35.2% (44)	65.2% (19)	47.5% (28)	53.6% (15)	44.0% (106)
	After loan	19.2% (25)	26.7% (8)	47.2% (17)	50.0% (7)	27.1% (57)
	Change%	**-16%**	**-38.5%**	**-0.3%**	**-3.6%**	
Meet bills with relative ease	**Before loan**	12.8% (16)	17.2% (5)	27.1% (16)	32.1% (9)	19.1% (46)
	After loan	50.0% (65)	63.3% (19)	38.9% (14)	42.9% (6)	49.5% (105)
	Change%	**+37.2%**	**+46.1%**	**+1.8**	**+10.8%**	
Before loan	Count	125	29	59	28	241
After loan		130	30	36	14	210

The largest reduction in sharing with other household members is reported for female beneficiaries as 6.6%. Declines in dependency are also reported among female respondents where beneficiaries reported the largest declines, i.e.14.6%.

In the case of meeting bills with great difficulty the largest decline is among male beneficiaries at 38.5%, followed by their female counterparts at 16%. The respective double differences are 15.7% in favour of female beneficiaries and 34.9% in favour of male beneficiaries. The latter score nullifies the gains in reduction in sharing with other household members scored by male non-beneficiaries. The gender gap is 22.5% in favour of male beneficiaries.

Once again it is observed that both groups of beneficiaries scored the highest gains in meeting their bills with relative ease, 37% for females and 46.6% for males. The respective double differences are almost equal at 35.4% for female beneficiaries and 35.8% for male beneficiaries. The gender gap at 8.9%, while still in favour of male beneficiaries is relatively smaller than in the other comparisons.

What the study makes of these findings is that despite the fact that the burden of care giving falls disproportionately on women, loan impacts positively reduce it.

4.1.4 Household Expenditure on Education

The following two tables are premised on the assumption that there are significant differences between expenditures on the girl child's and the boy child's education. This is more so in times of economic crisis when the decision is usually in favour of the boy child's continued education. They are, therefore, comparative tables.

Table 20 Household Expenditures on Education for Girl Child Before and After Receiving Loan

		Female benef	Male benef	Female non benef	Male non benef	Total
Expenses shared with spouse/ other household members	Before Loan	38.3% (41)	25.0% (4)	19.0% (8)	7.1% (1)	30.2% (54)
	After Loan	30.0% (36)	16.7% (3)	14.8% (4)	11.1% (1)	25.3% (44)
	Change%	**-8.3%**	**-8.3%**	**-4.2%**	**+4%**	
Totally dependant on spouse/ other household members	Before loan	13.1% (14)		7.1% (3)		9.5% (7)
	After loan	5.0% (6)				3.4% (6)
	Change%	**-8.1%**				
Meet bills with great difficulty	Before loan	36.4% (39)	56.3% (9)	45.2% (19)	42.9% (6)	40.8% (73)
	After loan	12.5% (15)	16.7% (3)	37.0% (10)	33.3% (3)	17.8% (31)
	Change%	**-23.9%**	**-39.6%**	**-8.2%**	**-9.6%**	
Meet bills with relative ease	Before loan	12.1% (13)	18.8% (3)	28.6% (12)	50.0% (7)	19.6% (35)
	After loan	52.5% (63)	66.7% (12)	48.1% (13)	55.6% (5)	53.4% (94)
	Change%	**+40.4%**	**+47.9%**	**+19.5%**	**+5.6%**	
Before loan	Count	107	16	42	14	179
After loan		120	18	27	9	174

For the girl child the respective double differences in sharing educational expense with other household members are 4.1% in favour of female beneficiaries and 12.3% in favour of male beneficiaries. The gender gap is zero among beneficiaries. This suggests that there are no differences among them on this score. After the loan, reduction in dependence on spouses and other household members are largest among female beneficiaries.

Reductions in meeting bills with great difficulty are recorded most for male beneficiaries at 39.6%. The respective double differences among the four groups are as follows: 15.7% in favour of female beneficiaries and 30% in favour of male beneficiaries. The gender gap is 15.5% in favour of male beneficiaries.

A similar pattern is observed among the groups on the ease with which they meet their bills for the girl child's education. Among females the gap is 20.9% in favour of beneficiaries and 42.3% in favour of males. The gender gap is 7.5% in favour of males.

The conclusion from these observations is that loans had a positive impact on the girl child's education although more so among male beneficiaries. Taken in the total context of household responsibilities it is fair comment to say that MFI loans have enabled females to sustain the education of the girl child.

Table 21 Household Expenditures on Education for Boy Child Before and After Receiving Loan

		Female benef	Male benef	Female Non benef	Male non benef	Total
Expenses shared with spouse/other household members	**Before loan**	40.2% (41)	13.6% (3)	19.4% (7)	7.7% (1)	30.1% (52)
	After loan	30.3% (36)	8.7% (2)	13.0% (3)	14.3% (1)	24.% (42)
	Change%	**-10.1%**	**-4.9%**	**-6.4%**	**+6.6%**	
Totally dependant on spouse/ other household members	**Before loan**	14.7% (15)		8.3% (3)		10.4% (18)
	After loan	4.2% (5)		4.3% (1)		3.5% (6)
	Change%	**-10.5%**		**-4%**		
Meet bills with great difficulty	**Before loan**	31.4% (32)	63.6% (14)	41.7% (15)	30.8% (4)	37.6% (65)
	After loan	11.8% (14)	21.7% (5)	43.5% (10)	28.6% (2)	18.0% (31)
	Change%	**-19.6%**	**-41.9%**	**+1.8%**	**+2.2%**	
Meet bills with relative ease	**Before loan**	13.7% (14)	22.7% (5)	30.6% (11)	61.5% (8)	22.0% (38)
	After loan	53.8% (43)	69.6% (16)	39.1% (9)	57.1% (4)	54.1% (93)
	Change%	**+40.1%**	**+46.9%**	**+8.5%**	**+4.4%**	
Before loan	Count	102	22	36	13	173
After loan		119	23	23	7	172

Once again the largest decline in dependence on other household members is recorded for female beneficiaries, i.e.10.5%. Both male and female beneficiaries reported the largest declines in sharing expenditures with other household members at 11.5% and 3.7% respectively. The gender gap is 5.2% in favour of female beneficiaries.

The double differences for meeting bills with great difficulty show that beneficiaries benefited from loans, i.e. 21.4% amongst males and 44.1% among females. The gender gap is 22.3% in favour of males. Similarly the double differences for meeting bills with relative ease are 31.6% among females and 42.5% among males. The gender gap is 6.8% in favour of males.

In the absence of any other evidence it is fair comment to say that beneficiaries, and in particular females, have been able to maintain the education of the boy child, too. What is of more interest in view of the opening remarks data on education is the observation that not withstanding the differences in the gender gaps, percentages reporting improvements in both tables are more or less the same for both groups of beneficiaries. It is quite possible that these differences are explained by perceptions on investments on the education of the girl child compared to the boy child, even among female beneficiaries.

4.1.4 Household Expenditure on Clothing

Clothing, like food, education and housing is one of the basic needs for all human beings. On this note, more or less the same pattern is observed as in the earlier tables. Therefore only the ease with which respondents met their clothing requirements shall be examined.

Table 22 Household Expenditure on Clothing Before and After Receiving Loan

		Female benef	Male benef	Female Non benef	Male non benef.	Total
Expenses Shared with spouse/other household members	**Before Loan**	33.6% (45)	14.3% (4)	12.9% (8)	10.0% (3)	23.6% (60)
	After Loan	20.6% (29)	10.7% (3)	13.2% (5)	5.9% (1)	17.0% (38)
	Change%	**-13%**	**-3.6%**	**+0.3%**	**-4.1%**	
Totally Dependant on other household members	**Before loan**	14.9% (20)	3.6% (1)	8.1% (5)	3.3% (1)	102% (26)
	After loan	2.1% (3)				1.8% (4)
	Change%	**-12.8%**				
Meet bills with great difficulty	**Before loan**	29.9% (40)	57.1% (16)	38.7% (24)	46.7% (14)	37.0% (94)
	After loan	9.2% (13)	10.7% (3)	31.6% (12)	47.1% (8)	16.1% (36)
	Change%	**-20.7%**	**-46.4%**	**-7.1%**	**+0.4%**	
Meet bills with relative ease	**Before loan**	21.6% (29)	28.6% (8)	40.3% (25)	40.0% (12)	29.1% (74)
	After loan	68.1% (96)	75.0% (21)	55.3% (21)	47.1% (8)	65.2% (146)
	Change%	**+46.5%**	**+46.4%**	**+15%**	**+7.1%**	
Before loan	Count	124	28	62	30	254
After loan		141	28	38	17	224

On this score female beneficiaries reported the highest increase after the loan, i.e. 46.5%. Male beneficiaries scored 46.4%. This closing of the gender gap in favour of females says a lot about the impacts of loans in enabling female respondents to clothe themselves and their families. The issue goes beyond just these figures because clothing has a great impact on image and self esteem.

4.2 Loan Impact on Diet

Improvements in disposable income are expected to lead to improvements in the diet of entrepreneurs and their families. One way of testing this hypothesis would have been to set up an econometric model and test for any changes brought about by changes in income, while controlling for other possible influences. This would have been an interesting exercise in itself, but the same objective could be met in a much simpler manner, as shown by the tables below.

Using a variation of the preceding criteria the study examined reported changes in diet after the loan. Four indicators were used:

a) remained the same
b) declined
c) improved slightly
d) greatly improved

The problems with these results and their interpretation are the following:

- It was not possible to verify these responses with other household members
- We did not have past consumption figures to measure the claimed changes.

With these limitations in mind, the results are still interesting enough, more so that they are qualitative responses. For non-beneficiaries the responses refer to income earned from the enterprises from the time they began operating. The reader is therefore advised to look at the figures on the ages of the enterprises in order to get a clearer picture of the time span in question. In the case of beneficiaries the time span is from the use of the loan.

Table 23 Consumption of Beef

	Female benef	Male benef	Female non benef	Male non-benef	TOTAL
Remained the same	17.5% (28)	41.2% (14	27.8% (15)	28.0% (7)	23.4% (64)
Declined	8.1% (13)	8.8% (3)	7.4% (4)		7.3% (20)
Improved Slightly	38.1% (61)	32.4% (11)	35.2% (19)	40.0% (10)	37.0% (101)
Greatly Improved	36.3% (58)	17.6% (6)	29.6% (16)	32.0% (8)	32.2% (88)
COUNT	160	34	54	25	273

The assumption is that beef is the most popular source of protein among Zimbabwean households. Its prices are included in the calculation of the Consumer Price Index. The biggest improvements are noted among female beneficiaries, i.e. 36.3%, who also report the lowest figure for no change, i.e. 17.5%. Enterprises generally brought about improvements for all groups, although this was lowest for male beneficiaries. The latter reported a substantial no change of 41.2%. However we did counsel caution in reading these figures because we are not aware of past consumption levels. It is quite possible that male beneficiary beef consumption reached its optimal level long before the loan application. In which case, further increases in income would reflect themselves in luxury goods, rather than food items. Even then female beneficiaries reported the largest improvements.

Table 24 Consumption of Chicken

	Female beneficiary	Male beneficiary	Female non beneficiary	Male non-beneficiary	TOTAL
Remained the same	22.1% (34)	46.9% (15)	33.3% (17)	36.4% (8)	28.6% (74)
Declined	12.3% (19)	6.3% (2)	11.8% (6)		10.4% (27)
Improved Slightly	33.8% (52)	25.0% (8)	25.5% (13)	36.4% (8)	31.3% (81)
Greatly Improved	31.8% (49)	21.9% (7)	29.4% (15)	27.3% (6)	29.7% (77)
COUNT	154	32	51	22	259

The same observations made on the pattern of beef consumption apply to chicken consumption too. We shall belabour the point no further.

Table 25 Consumption of Vegetables

	Female beneficiary	Male beneficiary	Female non beneficiary	Male non-beneficiary	TOTAL
Remained the same	20.8% (30)	40.6% (13)	24.5% (12)	28.6% (6)	24.8% (61)
Declined	4.2% (6)	6.3% (2)	2.0% (1)		3.7% (9)
Improved Slightly	25.7% (37)	25.0% (8)	18.4% (9)	19.0% (4)	23.6% (58)
Greatly Improved	49.3% (71)	28.1% (9)	55.1% (27)	52.4% (11)	48.0% (118)
COUNT	144	32	49	21	246

Vegetable consumption has to be interpreted with a little bit more care. In situations where vegetables are eaten as a substitute for meat we cannot report welfare increases. Assuming that the figures reported above reflect an enrichment of the diet, rather than a reduction in protein, then the biggest welfare increases are among non-beneficiaries. But then again, the question still stands as to why this should be greatest among those we expect to record the least welfare increases? If this is a consumption switch from meat to vegetables, barring vegetarians and the healthy content of vegetables, then we cannot report welfare increases among non-beneficiaries. In other words, the lower figures reported for beneficiaries, especially females, if translated into consumption of less vegetables are a proxy for a dietary switch.

Table 26 Consumption of Starches

	Female beneficiary	Male beneficiary	Female non beneficiary	Male non-beneficiary	TOTAL
Remained the same	23.6% (33)	45.2% (14)	28.0% (14)	33.3% (7)	28.1% (68)
Declined	5.0% (7)	6.5% (2)	6.0% (3)		5.0% (12)
Improved Slightly	25.7% (36)	29.0% (9)	20.0% (10)	38.1% (8)	26.0% (63)
Greatly Improved	45.7% (64)	19.4% (6)	46.0% (23)	28.6% (6)	40.9% (99)
COUNT	140	31	50	21	242

Once again we observe the same pattern on the consumption of starch as on the previous tables. The lowest increases occur among male beneficiaries followed by their non-beneficiary counter-parts.

The big question is why is it that the biggest reported `no change' in consumption patterns is reported for male beneficiaries? Could it be that their consumption levels have already passed the critical threshold and therefore any further increases in income are likely to be spent on non-food items? Or perhaps this is a reflection of the gender sharing out of household expenditures among all respondents?

4.3 Acquisition of Household Assets

Household items are an indicator of improvements in the standard of living. Like in most impact assessment studies, this one also examined changes in the ownership/acquisition of these items.

A rider is in order here, household items, unlike groceries and education, are like capital expenditures done once every so often. The former are like recurrent expenditures. In times of economic crisis like the one Zimbabwe has been going through over the last few years it is most unlikely that both participants and non-participants in MFI programmes would have been purchasing household items. In other words most purchases would naturally go to items of recurrent expenditure.

Faced with inflation rates rising from above 70% in 2001 to over 600% per annum in 2003, it would be too much to expect that micro-entrepreneurs would have been purchasing such items when they faced more immediate issues of coping with daily price rises of basic commodities. It should always be borne in mind that we are not dealing with the affluent section of society. As a result we are unlikely to see fantastic figures reporting the purchase of cookers and stoves, etc.

The numbers reporting such purchases were small for both sexes and beneficiary categories. This is not surprising in view of the preceding remarks. Consequently the study looked at the impact of repeat borrowing on the acquisition household items. The pattern is that purchases are noted among first time and third time female borrowers. Whereas these are reported for second time male borrowers.

It is a reasonable assumption to say that where higher value items are purchased with first loans then, more basic goods are already in existence within the household. In which case it can be said that these are beneficiaries on the higher end of the income distribution of the sample. The alternative explanation is that these are respondents engaged either in quick return activities or very profitable ones. In conditions of shortages of commodities and a thriving parallel market in these, then this is very possible.

Table27 Household Purchases of Cooker/Stove

HOUSEHOLD PURCHASES FROM PROFITS-COOKER /STOVE * beneficiaries by sex * number of loans rep Crosstabulation

number of loans rep				beneficiaries by sex: female beneficiary	male beneficiary	male non-bene ficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-COOKER /STOVE	YES	Count	9	1		10
			% within beneficiaries by sex	20.9%	6.7%		16.9%
		NO	Count	34	14	1	49
			% within beneficiaries by sex	79.1%	93.3%	100.0%	83.1%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-COOKER /STOVE	YES	Count	4	4		8
			% within beneficiaries by sex	8.2%	28.6%		12.7%
		NO	Count	45	10		55
			% within beneficiaries by sex	91.8%	71.4%		87.3%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-COOKER /STOVE	YES	Count	8			8
			% within beneficiaries by sex	15.7%			14.3%
		NO	Count	43	5		48
			% within beneficiaries by sex	84.3%	100.0%		85.7%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-COOKER /STOVE	YES	Count	2			2
			% within beneficiaries by sex	7.7%			7.1%
		NO	Count	24	2		26
			% within beneficiaries by sex	92.3%	100.0%		92.9%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

Cookers and stoves are labour releasing assets. In that sense they are particularly important within the domestic division of labour where women do most of the cooking. Despite the important rider alluded to above, it is very possible that beneficiaries already owned these items before applying for loans. The evidence is that purchases are highest among first time female borrowers and third time female borrowers. For the latter it is possible that these would be replacements/upgrading of models. Proceeding from the assumption that women would reflect higher purchases than males, the higher figures among male second time borrowers suggest that this is not their first priority with income proceeds derived from the first loan, this is probably left to female spouses in the case of married beneficiaries.

On the basis of the above evidence, and taking into account the gender division of responsibilities within the household, at least 21% first time female borrowers were able to purchase a basic necessity for the home. Assuming higher loan amounts it can be inferred that the figures would have been higher.

Refrigerators and freezers enable the long-term preservation of perishable foods and therefore enable bulk purchasing and the lowering of food costs.

Table 28 Household Purchases of Refrigerator/Freezer

HOUSEHOLD PURCHASES FROM PROFITS-FRIDGE/DEEP FREEZER * beneficiaries by sex *

				beneficiaries by sex			
number of loans rep				female beneficiary	male beneficiary	male non-bene ficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-FRIDGE/DEEP FREEZER	YES	Count	11			11
			% within beneficiaries by sex	25.6%			18.6%
		NO	Count	32	15	1	48
			% within beneficiaries by sex	74.4%	100.0%	100.0%	81.4%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-FRIDGE/DEEP FREEZER	YES	Count	10	3		13
			% within beneficiaries by sex	20.4%	21.4%		20.6%
		NO	Count	39	11		50
			% within beneficiaries by sex	79.6%	78.6%		79.4%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-FRIDGE/DEEP FREEZER	YES	Count	11			11
			% within beneficiaries by sex	21.6%			19.6%
		NO	Count	40	5		45
			% within beneficiaries by sex	78.4%	100.0%		80.4%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-FRIDGE/DEEP FREEZER	YES	Count	2	1		3
			% within beneficiaries by sex	7.7%	50.0%		10.7%
		NO	Count	24	1		25
			% within beneficiaries by sex	92.3%	50.0%		89.3%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

In the case of these items, purchases increase with the number of loans for female borrowers. In other words the longer a beneficiary stays in the MFI program the higher the likelihood of purchase. This pattern is clear among female borrowers. The same cannot be said for male borrowers. However, in the case of first time borrowers it is reasonable to assume that they would purchase refrigerators because they already possessed cookers. Or possibly they are involved in high return enterprises. Discarding the small count for male fourth time borrowers, male second time borrowers record the highest purchases.

Table 29 Household Purchases –Television/VCR

HOUSEHOLD PURCHASES FROM PROFITS-TV/VCR * beneficiaries by sex * number of loans rep Crosstabulation

number of loans rep				beneficiaries by sex: female beneficiary	beneficiaries by sex: male beneficiary	beneficiaries by sex: male non-bene ficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-TV/VCR	YES	Count	16	1		17
			% within beneficiaries by sex	37.2%	6.7%		28.8%
		NO	Count	27	14	1	42
			% within beneficiaries by sex	62.8%	93.3%	100.0%	71.2%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-TV/VCR	YES	Count	12	3		15
			% within beneficiaries by sex	24.5%	21.4%		23.8%
		NO	Count	37	11		48
			% within beneficiaries by sex	75.5%	78.6%		76.2%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-TV/VCR	YES	Count	10	2		12
			% within beneficiaries by sex	19.6%	40.0%		21.4%
		NO	Count	41	3		44
			% within beneficiaries by sex	80.4%	60.0%		78.6%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-TV/VCR	YES	Count	4	1		5
			% within beneficiaries by sex	15.4%	50.0%		17.9%
		NO	Count	22	1		23
			% within beneficiaries by sex	84.6%	50.0%		82.1%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

More females make first loan purchases than males. Among female beneficiaries purchases are highest among first time and second time borrowers. The purchases peter off as the number of loans increases. For males, despite the small figures involved, percentages of those making purchases increase with the number of loans.

The implications of these findings are that welfare increases related to television and home movie entertainment are highest among female first time borrowers compared to males. Households of these borrowers benefit from borrowing a lot earlier than those of males.

Table 30 HOUSEHOLD PURCHASES FROM PROFITS-FURNITURE/KITCHEN WARE * beneficiaries by sex * number of loans rep

number of loans rep				beneficiaries by sex: female beneficiary	male beneficiary	male non-beneficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-FURNITURE/KITCHEN WARE	YES	Count	15	3	1	19
			% within beneficiaries by sex	34.9%	20.0%	100.0%	32.2%
		NO	Count	28	12		40
			% within beneficiaries by sex	65.1%	80.0%		67.8%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-FURNITURE/KITCHEN WARE	YES	Count	18	2		20
			% within beneficiaries by sex	36.7%	14.3%		31.7%
		NO	Count	31	12		43
			% within beneficiaries by sex	63.3%	85.7%		68.3%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-FURNITURE/KITCHEN WARE	YES	Count	22	2		24
			% within beneficiaries by sex	43.1%	40.0%		42.9%
		NO	Count	29	3		32
			% within beneficiaries by sex	56.9%	60.0%		57.1%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-FURNITURE/KITCHEN WARE	YES	Count	13			13
			% within beneficiaries by sex	50.0%			46.4%
		NO	Count	13	2		15
			% within beneficiaries by sex	50.0%	100.0%		53.6%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

It is interesting to note that purchases of kitchenware show a clearer and higher trend than for other items. This is particularly pronounced among female beneficiaries. The proportion of beneficiaries making these purchases increase with the number of loans taken. The reason why these purchases have a clearer pattern compared to other household items is explained by the fact that compared to cookers and refrigerators/freezers, etc. they are relatively cheaper and more disaggregated, i.e. they can be purchased in small units/numbers. But beyond this they also reflect the gender division of household purchases, which are themselves the product of the gender division of labour within the household. Within the range of choices of women, the decision to invest in these items is rational and, to this study, is perhaps one of the biggest impacts of the loans. It was said earlier that it is not so much what women do or choose to do, but the gendered perceptions and evaluations of these choices.

If female beneficiaries chose to invest heavily in these items more than in any other, they should not be judged on a male scale. In a study on "Women's Access to Resources in Zimbabwe", Ncube et al observe that 'the need for women to buy household effects appears to be so strongly felt that many exhausted all the cash they earned through various means, towards this enterprise. As a result most of the female respondents had little money saved' (p.101). The issue is the way choices are valued in patriarchal dominated society.

Table 31 Household Purchases – Home Improvements

OUSEHOLD PURCHASES FROM PROFITS-HOME IMPROVEMENTS * beneficiaries by sex * number of loans rep Crosstabulatio

				beneficiaries by sex			
number of loans rep				female beneficiary	male beneficiary	male non-bene ficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-HOME IMPROVEMENTS	YES	Count	7	1		8
			% within beneficiaries by sex	16.3%	6.7%		13.6%
		NO	Count	36	14	1	51
			% within beneficiaries by sex	83.7%	93.3%	100.0%	86.4%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-HOME IMPROVEMENTS	YES	Count	4			4
			% within beneficiaries by sex	8.2%			6.3%
		NO	Count	45	14		59
			% within beneficiaries by sex	91.8%	100.0%		93.7%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-HOME IMPROVEMENTS	YES	Count	7	2		9
			% within beneficiaries by sex	13.7%	40.0%		16.1%
		NO	Count	44	3		47
			% within beneficiaries by sex	86.3%	60.0%		83.9%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-HOME IMPROVEMENTS	YES	Count	3			3
			% within beneficiaries by sex	11.5%			10.7%
		NO	Count	23	2		25
			% within beneficiaries by sex	88.5%	100.0%		89.3%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

Female beneficiaries reporting household improvements were highest among first time borrowers at 16.3%, second time borrowers 8.2%, third time borrowers 13.7% and fourth plus time borrowers 11.5%. The figures for males were miniscule. All in all it cannot be said that this was the major preoccupation of borrowers during the time under consideration. This goes back to the capital versus recurrent expenditure argument made earlier on. But even then the same pattern of first time female borrowers immediately transferring these welfare increases to their households is once again evident

Table 32 Household Purchases –Livestock * beneficiaries by sex

HOUSEHOLD PURCHASES FROM PROFITS-LIVESTOCK * beneficiaries by sex * number of loans rep Crosstabulation

number of loans rep				beneficiaries by sex: female beneficiary	male beneficiary	male non-bene ficiary	Total
one loan	HOUSEHOLD PURCHASES FROM PROFITS-LIVESTOCK	YES	Count	10	3		13
			% within beneficiaries by sex	23.3%	20.0%		22.0%
		NO	Count	33	12	1	46
			% within beneficiaries by sex	76.7%	80.0%	100.0%	78.0%
	Total		Count	43	15	1	59
			% within beneficiaries by sex	100.0%	100.0%	100.0%	100.0%
two loans	HOUSEHOLD PURCHASES FROM PROFITS-LIVESTOCK	YES	Count	11	8		19
			% within beneficiaries by sex	22.4%	57.1%		30.2%
		NO	Count	38	6		44
			% within beneficiaries by sex	77.6%	42.9%		69.8%
	Total		Count	49	14		63
			% within beneficiaries by sex	100.0%	100.0%		100.0%
three loans	HOUSEHOLD PURCHASES FROM PROFITS-LIVESTOCK	YES	Count	11	1		12
			% within beneficiaries by sex	21.6%	20.0%		21.4%
		NO	Count	40	4		44
			% within beneficiaries by sex	78.4%	80.0%		78.6%
	Total		Count	51	5		56
			% within beneficiaries by sex	100.0%	100.0%		100.0%
four or more loans	HOUSEHOLD PURCHASES FROM PROFITS-LIVESTOCK	YES	Count	3	1		4
			% within beneficiaries by sex	11.5%	50.0%		14.3%
		NO	Count	23	1		24
			% within beneficiaries by sex	88.5%	50.0%		85.7%
	Total		Count	26	2		28
			% within beneficiaries by sex	100.0%	100.0%		100.0%

Despite the small numbers involved, the pattern noted previously changes in the purchase of livestock among male beneficiaries, especially second time borrowers. In this case, first time male borrowers are making purchases after the first loan. Females continue with the previous pattern as is reflected by the fact that at least 20% of female respondents purchased livestock until the third loan. This is interesting in itself in that it has been observed elsewhere that livestock is treated as a male domain (Ncube ibid.). The fact that in this study we find female beneficiaries purchasing livestock with proceeds from their enterprises is, taken on its own, a measure of empowerment. We say this because it breaks the stereotype of livestock as male property. However we are not in a position to categorically say that such livestock was not masculanised (Ncube et al, ibid) and made male property. This needs further investigation.

In summary, what emerges from the above analysis is that loan impacts have to be taken in the overall socio-economic context. In this case the general economic environment played a critical role in influencing purchases. This is more so when the fact that for the majority of beneficiaries, purchase of household items are conducted on either a cash or lay-bye basis. It would be too much to ask beneficiaries to do any better under a hyper inflationary environment, when basic goods are more primary. But the fact that some purchases were witnessed, points to the positive impacts of loans. The issue is one of loan amounts and a stable macro-environment, something beyond the control of both beneficiaries and MFIs. Loan amounts are themselves a result of the levels of capitalisation of MFIs.

With that said, the most interesting result is the manner in which female first time borrowers translate their earnings into welfare increases for their households more than their male counterparts. They continue with this pattern into the third loan. On the other hand males only begin to do this with the second loan. This finding is in keeping with the postulate that female entrepreneurs invest more in the household than males. Under equal conditions, the impacts of the loans are immediate welfare increases of female beneficiaries. Small as the reported figures are, loans lead to positive impacts on welfare increases of beneficiaries, especially first time female borrowers.

SECTION 5 IMPACT OF MFIs LOANS AT INDIVIDUAL LEVEL

5.1 Decisions on Household Expenditure

The study sought to establish if female beneficiaries had actual control over the income generated by the enterprises. This is very important since it would be a futile exercise if at the end of the day women did not just enjoy the fruits of their labour but also did not have a say on how the income they generated was spent. To this extent questions were asked to see how household decisions were made. This was more so for the married participants.

Table 33 Involvement in Decision Making on Expenditure

	Female Ben	Male ben	Female non-ben	Male non-ben	TOTAL
Respondent Only	76	11	42	11	140
	44.4%	**29.7%**	**46.7%**	**25.6%**	**41.1%**
In consultation spouse/partner	50	15	25	16	106
	29.2%	**40.5%**	**27.8%**	**37.2%**	**31.1%**
Jointly with spouse/partner	34	9	15	12	70
	19.9%	**24.3%**	**16.7%**	**27.9%**	**20.5%**
In consult.with other household members	11		5	2	18
	6.4%		**5.6%**	**4.7%**	**5.3%**
Parents		1	1	1	3
		2.7%	**1.1%**	**2.3%**	**.9%**
Spouse		1	2	1	4
		2.7%	**2.2%**	**2.3%**	**1.2%**
Total	171	37	90	43	341
	100.0%	100.0%	100.0%	100.0%	100.0%

It is rather difficult to make any concrete statements on household decisions, in the absence of information on how these were made before the loan was received. However, the question was posed in such a manner so as to elicit responses in the present tense, i.e. in a comparative manner. Nevertheless, it is interesting to note that female beneficiaries scored higher percentages than their non-beneficiary counterparts when it came to joint and consultative decisions, i.e. 30% and 20% compared to 26.7% and 16.7% respectively as shown in table 33 above. This consultation is a reflection of changing power balances within the household. More so taken against the results on married female beneficiaries who considered themselves household heads. It was seen earlier that of the 98 female beneficiaries who reported themselves as being household heads, 93 (94.9%) were married.

Table 34 Marital Status of Those Making Household Expenditure Decisions on Their Own (% within female beneficiaries and non-beneficiaries)

	Single	Married	Widow/er	Divorced	Total
female benef	18	26	24	6	**74**
	24.3%	**35.1%**	**32.4%**	**8.1%**	**100.0%**
female non-benef	16	10	12	5	**43**
	37.2%	**23.3%**	**27.9%**	**11.6%**	**100.0%**
	34	**36**	**36**	**11**	**117**

From table 34 above, of the 74 who made household expenditure decisions on their own, 26 (35.1%) were married, with the rest being single, divorced or widowed. In the case of the 43 non-beneficiaries, only 10 (23.3%) were married. The study, therefore, notes some independence among married female beneficiaries, which is greater than among married non-participants. If this measure is a reflection of financial independence and empowerment across all female MFIs loan participants, then it is a positive development indeed, which can be attributed to loan impacts. It is a small, but notable move towards empowerment, if not socially, at least economically.

5.2 Change in Social Status

Table 35 below shows the self-assessment of changes in social status by both beneficiaries and non-beneficiaries.

Table 35 Self-Assessment of Change of Status

Status change	Female benef	Male benef	Female non benef	Male non benef	TOTAL
More respect	33	6	5	3	47
	23.6%	**18.8%**	**7.5%**	**11.5%**	**17.7%**
More respect and authority	19	6	3	3	31
	13.6%	**18.8%**	**4.5%**	**11.5%**	**11.7%**
Acquisition of material items	4	1	7	1	13
	2.9%	**3.1%**	**10.4%**	**3.8%**	**4.9%**
Financial assistance to family and others	33	8	12	8	61
	23.6%	**25.0%**	**17.9%**	**30.8%**	**23.0%**
Personal improvement	29	5	11	4	49
	20.7%	**15.6%**	**16.4%**	**15.4%**	**18.5%**
Improvement but not adequate	2	3	4	1	10
	1.4%	**9.4%**	**6.0%**	**3.8%**	**3.8%**
Still the same	16	3	22	5	46
	11.4%	**9.4%**	**32.8%**	**19.2%**	**17.4%**
Worse off	4		3	1	8
	2.9%		**4.5%**	**3.8%**	**3.0%**
Total	**140**	**32**	**67**	**26**	**265**

Quantifying self-perceptions is probably one of the most difficult things to achieve. This study did not attempt to do this either. Rather it makes inferences from the responses made by respondents. In any case self-evaluation, whether exaggerated or modest reflects precisely what an individual thinks of themselves or feels.

Beneficiaries were asked to make self-assessments before and after the loan, whereas non-beneficiaries were asked to do the same before they set up the enterprise and at the time of the survey. In the case of beneficiaries this took into account the period from the setting up of the enterprise through the loan to the time of the survey.

While the results are very broad in coverage, leading to a thinning of responses, they are still indicative of how respondents assessed themselves over their respective years of enterprise activity and borrowing.

It is quite notable that beneficiaries were the least in reporting “being worse off”. No male beneficiaries reported being worse off and only 2.9% females did so. Fewer beneficiaries reported being still in the same social status, 11.4% females and 9.4% males. In both cases they felt better than their non-beneficiary counterparts. This is also reflected in the self-respect and authority they felt they commanded. Beneficiaries faired better than non-beneficiaries, especially females of whom 23.6% felt that they commanded more respect compared to 7.5% of female non-beneficiaries.

Empowerment should indeed start off with self-confidence, and if these results are a reflection of this on the part of female beneficiaries, then MFI loans have indeed played a part in this process.

These results were crosschecked to see if there was indeed a platform for expressing this newfound confidence. Respondents were asked if they had joined any organisation, and the results are shown in table 36 below.

Table 36 Social Organisations Joined * beneficiaries by sex

SOCIAL ORGANISATIONS JOINED	Female benef.	Male benef.	Female non Benef.	Male non Benef.	TOTAL
YES	102	14	13	5	134
	62.2%	37.8%	17.6%	13.5%	42.9%
NO	62	23	61	32	178
	37.8%	62.2%	82.4%	86.5%	57.1%
TOTAL	164	37	74	37	312

The study proceeded from the assumption that organisations, unlike the narrow confines of enterprise activity and the home, provided a platform for networking, i.e. ‘breaking the dullness and the drudgery of the kitchen` so to speak. This observation is made about Grameen Bank clients in Bangladesh, i.e. the “bringing together of large groups of women. In these regular meetings women conduct their savings and loans activities and have an opportunity to share information and discuss ideas” (Hulmes and Morsely, ibid. p.125).

From the results it is clear that more female beneficiaries joined some social organisations. These organisations ranged from burial societies, savings clubs, women’s organisations, cross border associations, social clubs and religious organisations.

The question of course is whether they would have joined these organisations in the absence of the loans? It is the manner the question was asked which leads to the conclusion that the decision to join an organisation was loan related. This conclusion is reinforced by the fact that such organisations presuppose disposable income, i.e. there are financial and material contributions that go with participation. It can be safely concluded, therefore that this social development can be attributed to the loans.

SECTION 6 ASSESSMENT OF MFIs LENDING

In an effort to establish the outreach of MFIs the study investigated how MFI clients got to know about the MFIs they were dealing with. The focus of attention is on female beneficiaries because of their larger share in the sample and the already observed biases of MFIs in favour of women. It is this distribution shown in table 38 below that gives a clearer picture than the other three categories. The non-beneficiaries give us an indication of the fact that word about MFIs does get to them.

Table 37 Hear about MFIs * beneficiaries by sex

	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
Another client	38	6	1		45
	22.1%	15.8%	14.3%		20.3%
family/friend	59	7	2	3	71
	34.3%	18.4%	28.6%	60.0%	32.0%
Media	11	2			13
	6.4%	5.3%			5.9%
MFIS officer	36	17	2	1	56
	20.9%	44.7%	28.6%	20.0%	25.2%
Other	28	6	2	1	37
	16.3%	15.8%	28.6%	20.0%	16.7%
	172	38	7	5	222
	100.0%	100.0%	100.0%	100.0%	100.0%

The media (6.4%) plays a very limited role in informing potential clients on the existence of MFIs. It is not to be suggested that clients did not have access to the media. Rather, either the MFIs themselves do not use this information channel or perhaps like bread, the demand is so high that there is no need to advertise their services or existence. This cannot be very accurate.

The biggest source of information on MFIs is word of mouth (56.4%), i.e. through other MFI clients (22.1%), or through friends or family members (34.3%). MFI officers accounted for (20.9%) of the information share.

Clients would only come forward for assistance after witnessing positive welfare increases among their sources of information. This is a plus for the MFIs. But also word of mouth is full of variability since a single negative perception spread by a disgruntled applicant or client can spread very rapidly. The rumour machine is very difficult to stop once it starts rolling. Now given the low rating of the media as an information source, it is important for MFIs that they put in place proper information dissemination mechanisms.

Table 38 Problems in Securing Funds From Other Sources

	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
YES	44	13	10	7	74
	28.4%	**38.2%**	**34.5%**	**38.9%**	**31.4%**
NO	111	21	19	11	162
	71.6%	**61.8%**	**65.5%**	**61.1%**	**68.6%**
	155	34	29	18	236
	100.0%	100.0%	100.0%	100.0%	100.0%

At least more than 60% across all categories of respondents did not necessarily face problems in securing funding from sources other than MFIs as shown in table 39 above. This shows the level of preference they have for this type of finance. In other words it is not the only source of funding and yet is preferred above others.

For the 65.5% female and 61.1% male non-beneficiaries the response has a different meaning from the beneficiaries. Either they had not sought funding from any other source or they felt that it would not be a problem to do so.

6.1 MFIs Ranking Against Other Sources of Finance

Below we examine the manner in which respondents rank different sources of finance

Table 39 MFIS Ranking by Beneficiaries and non-Beneficiaries

	Female benef	**Male benef**	**Female non-benef**	**Male non-benef**	**Total**
Excellent	35	4	1		40
	23.5%	**11.1%**	**14.3%**		**19.9%**
Good	61	19	1	3	84
	40.9%	**52.8%**	**14.3%**	**33.3%**	**41.8%**
Average	31	8	1		40
	20.8%	**22.2%**	**14.3%**		**19.9%**
Difficult	21	4	2	3	30
	14.1%	**11.1%**	**28.6%**	**33.3%**	**14.9%**
Very difficult	1	1	2	3	7
	.7%	**2.8%**	**28.6%**	**33.3%**	**3.5%**
	149	36	7	9	201
	100.0%	100.0%	100.0%	100.0%	100.0%

The findings should come as good news to MFIs!!! Adding up the figures, 85% of female beneficiaries and 89% of male beneficiaries had positive assessments of MFIS lending procedures. A word of caution is in order. Firstly, these assessments were made in a comparative sense and therefore this should not preclude room for improvement.

Among the positive assessments made by clients were that the loans were easily accessible, the loans were processed on time, the requirements were better than from commercial banks, and they listened to clients` problems and also gave advice, and rarely disapproved an application.

The negative assessments came from both beneficiaries and non-beneficiaries (some of whom failed to meet the basic requirements of MFIs). Their reasons ranged from the repayment period, which they felt was too short. However in all cases none ever suggested what constituted a reasonable repayment period. Only 16 of the 143 non-beneficiaries responded to this question since most did not know much about MFIs

With regards to non-beneficiaries, 57.2% female and 66.6% male enterprise owner felt that MFIs were difficult to do deal. That this should be so is not surprising since these could not meet the basic requirements of MFIs in the first place

Table 40 Private Money Lender Ranking

	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
Excellent	1				1
	2.5%				1.6%
Good	1	2			3
	2.5%	20.0%			4.8%
Average		1			1
		10.0%			1.6%
Difficult	11	3		1	15
	27.5%	30.0%		20.0%	23.8%
Very difficult	27	4	8	4	43
	67.5%	40.0%	100%	80.0%	68.3%
	40	10	8	5	63
	100.0%	100.0%	100.0%	100.0%	100.0%

There was unanimity among all sample respondents (92.1%) that moneylenders were difficult to deal with – see table. 95% of female beneficiaries thought so while 70% of male beneficiaries were of the same view. These views were mainly made against the interest rates charged by moneylenders and their loan recovery methods. The 5% good rating they got from MFI female beneficiaries were for their ability to assist in times of financial crisis and the speed with which such requests were met.

There is evidence of a mushrooming of moneylenders over the past few years following the liberalisation of the financial sector in the last decade. MFIs on their own cannot possibly meet the demand for finance given the shortage of cheap sources of finance. As such, despite the negative assessments, moneylenders seem to have carved a niche for themselves, especially where quick loans are required for buying and re-selling.

MFIs need to learn something from the positive assessment of moneylenders on processing periods especially given their more rigorous screening procedures.

Table 41 Commercial Banks Ranking

	Female beneficiary	Male beneficiary	Female non-beneficiary	Male non-beneficiary	Total
Excellent	3		1	1	5
	7.9%		16.7%	14.3%	7.8%
Good	9	3			12
	23.7%	23.1%			18.8%
Average	6		2	4	12
	15.8%		33.3%	57.1%	18.8%
Difficult	9	4	1		14
	23.7%	30.8%	16.7%		21.9%
Very difficult	11	6	2	2	21
	28.9%	46.2%	33.3%	28.6%	32.8%
	38	13	6	7	64
	100.0%	100.0%	100.0%	100.0%	100.0%

Commercial banks got a higher ranking (45.4%) than moneylenders from the sample respondents, albeit a lower one than MFIs. Even then the feeling was that they were difficult to deal with (54.6%). This stemmed from the stringent loan application requirements they set.

Table 43 below provide ranking of financial institutions in their lending activities by male and female beneficiaries.

Table 42 Other Financial Institutions Ranking

	Female beneficiary	**Male beneficiary**	**Total**
Excellent	4		4
	18.2%		**14.8%**
Good	8		8
	36.4%		**29.6%**
Average	2	1	3
	9.1%	**20.0%**	**11.1%**
Difficult	5	2	7
	22.7%	**40.0%**	**25.9%**
Very difficult	3	2	5
	13.6%	**40.0%**	**18.5%**
Total	22	5	27
	100.0%	100.0%	100.0%

Finally the consolidated ranks are presented in table 44. It is very clear from the table that MFIs are ranked highest followed by other financial institutions. Moneylenders are ranked least.

Table 43 Overall Ranking of Sources of Finance (% of respondents)

Source	Females Easy	Females Difficult	Males Easy	Males Difficult	Rank
MFIs	86.2	14.2	86.1	13.9	1
Moneylenders	5	95	20	80	4
Commercial Banks	45.4	56.6	23	77	3
Other Financial Institutions	36.3	63.7	80	20	2

Before proceeding to interview clients, interviews were conducted with MFI field staff. The interviews sought to get an insight into the practicalities of MFI lending at the grassroots level.

6.2 Coverage

This varied by MFIs with some having a strictly urban focus. The reasons for this were logistical given the costs of follow-ups on clients. This focus becomes clearer when the limitations of those with a wider geographical spread is examined. The geographical spread of the beneficiary respondents shows how widespread the coverage of the MFIs interviewed.

6.3 Client Base

In virtually all cases the client base was mainly made up of females. Women are generally perceived as honest. The general preference seems to be clients with some experience in their activities, or as one field officer put it: the preference is for the economically active poor, not welfare cases. This preference raises the question of poverty alleviation on the one hand and the sustainability of MFIs in terms of repayments. This conflict of broader policy objectives and the practicalities of loan recovery are always at the centre of misconceptions between clients, and policy makers on the one hand and MFIs on the other.

6.4 Outreach

The common practice is for MFI staff to visit potential clients, i.e. road shows, to explain lending procedures and requirements. Word of mouth also plays a role in advertising the services of MFIs.

This process acts as a screening device since only those who qualify self–select for borrowing. It saves time for both the client and the MFI staff.

In terms of actual identification of clients, the methods differ. Where the preference is on group lending, savings clubs are identified or in some cases potential clients are encouraged and assisted to constitute themselves into groups. Group lending is said to offer higher coverage and enables those without collateral to be co-guaranteed by other group members. The same outreach exercise applied to individual loans too.

6.5 Lending Criteria

Lending criteria varies among MFIs, and for group as opposed to individual loans. In all cases, however there are requirements for some guarantor. This could be through the group or an individual. On the latter, the study learnt from one MFI field officer that despite the guarantor, there was still need for a "spouse`s consent form". Even then there were instances where clients used the first consent form to re-borrow. This practice was found among both female and male clients. This practice is meant to curb loan-debt denial on the part of non-borrowing spouses upon default of the borrowing spouse. It is also a result of changes in the country's matrimonial laws where property is jointly owned by both spouses. In the event of a default and attachment of property, both parties have to be in the full know.

6.6 Monitoring

The biggest problem faced by field staff was transport. Sometimes the areas covered were very dispersed. This explains the preference of MFIs for specific geographical locations. This was particularly so in the rural areas. In the urban areas it was both transport and staffing which acted as a constraint on monitoring.

High staff turnover had a debilitating effect on monitoring since a new member of staff needed time to familiarise themselves with both clients and the area.

6.7 Observations

The above observations on MFIs put into context the typical scenario faced by a potential borrower. MFIs have their own concerns, i.e. lending to a potentially profitable venture and reliable client, recovering the loan plus interest, and on-lending to either the next borrower or to the repeat client. It is the play out of these concerns that raises controversy on their activities and how they achieve these, and alleviating poverty.

Given the operational constraints faced by MFIs in terms of both transport and staffing, the concern is on whether they are sufficiently equipped to monitor projects and identify ghost projects. If the capacity existed, then it would enable them to identify potential defaulters and reduce risk upon themselves or put in correctional measures. Such observations are not possible at the head office level.

The team did not come across any evidence of physical inspection in the appraisals of applications. However this is not to suggest that it did not exist. But the major constraint observed was the sheer volume of applications that MFI loan officers received compared to staffing levels and the fact that these were small short term loans It seems the emphasis was on debt recovery more than anything else.

MFIs also need to think about measuring impact to see if they are achieving their goals, i.e. assuming that poverty alleviation and empowerment are their goals. But given the concerns with sustainability and breaking even in a hostile macro-environment it is difficult to see the latter goals overriding returns to investments.

6.8 Problems Expressed by MFI Clients

Problems expressed by MFI clients are instructive if all stakeholders are to learn anything from this exercise.

The biggest source of concern however was the blanket treatment of loan applications and application of the same rules for projects with different gestation periods. A good comparison is a piggery/poultry project and a buying and selling project for second-hand clothes. Livestock takes time to mature before any profits can realise from it. There is a certain attrition rate that goes with it. Chickens/broilers take a minimum of 8 weeks to mature before any proceeds from them can be realized. In the meantime, especially under a hyper-inflationary environment the costs of stock-feeds and drugs are subject to variability.

In the case of a second hand clothes project, the repayment period between loan disbursement and maturation of the project can be as short as two days, assuming the availability of stock. Obviously these two projects are non-comparable in terms of when the first instalment should be due.

Loan sizes while determined by the levels of capitalization of MFIs are a source of concern too. The suggestion is that MFIs should take into consideration the nature of the project rather than place standard ceilings on any application. While it is true that MFIs would like to spread their funds as much as possible and in the process reduce the risk related to lumpy investments among a few applicants, it is equally true too that this screens out some projects with potential for growth.

The insistence/preference for group lending among some MFIs was thought to be a disincentive on borrowing among some clients. The suggestion is that quite often other group members are as ignorant of potential defaulters among them as the loan officers. However, there are tried and tested methods of establishing groups which need to be applied. The cohesiveness of a group is the most important measure. A group should only come forward for loan assistance after is convinced of the commonality of the interests of its members. Both the loan officers and the group members should be able to demonstrate this. Nevertheless there should be a lot more flexibility in the application of group lending practices.

While there is appreciation of the need for MFIs to recoup on their investments, there was disquiet on the loan administration charges. They were seen as a distortion of the actual interest charges and a method for bypassing the legal requirements governing MFIS lending.

It is the obligation of the clients to keep track of their monthly instalments, but still it is important for MFIs to inform their clients of any changes in either administration costs or instalments, rather than leave this to the client to get to know of it when making their instalments. This was a source of complaint among some respondents. It is a legal requirement for MFIs to make these charges clear to all clients.

SECTION 7 SUMMARY OF FINDINGS AND RECOMMENDATIONS

This study has examined the impact of MFIs loans on the development of micro-enterprises and how this affects the welfare of both owners and employees of the same enterprises. The analysis has been conducted at the enterprise, household, individual and MFIs level. The study also examined the operations of ZAMFI since it is the umbrella organisation of MFIs.

A summary of the findings and recommendations that emerge there from are presented below.

7.1 ENTERPRISE LEVEL

MFIs loan assistance is heavily biased in favour of older enterprises than young ones. 88% of MFIs beneficiary enterprises had been in existence for at least 2 years. Only 6% of the enterprise beneficiaries had been in existence for less than one year. New enterprises have difficulty accessing MFI finance, yet they are in greater need of such funding.

The bulk of MFIs lending goes to middle-aged people between the ages of 30 and 49 years. 60% of MFIs beneficiaries are in this age group. MFIs also exhibit preference for the married, i.e. 63.2% of female beneficiaries and 86.8% of male beneficiaries. Even among the younger recipients in the 20-29 age group preference is still in favour of the married i.e. 58% of beneficiaries.

Single females constitute 14.4% of female beneficiaries compared to 10.4% of male beneficiaries. No divorced males were beneficiaries as compared to 4% females. 18.4% of female beneficiaries were widowed compared to 2.6% male widowers.

This bias shows sensitivity towards females and the married, to the detriment of other population categories.

- **It is therefore recommended that MFIs while maintaining this sensitivity also expand their focus to cater for other disadvantaged groups; the youth, the divorced, and widows and widowers. These are vulnerable groups. They should cater for the young and new entrants who might have newer and brighter ideas. Entrepreneurship training is a key ingredient of such a focus. This would also shift the sectoral composition of the enterprises they support to non-traditional ones e.g. information technologies.**

- **To this end MFIs need to review their screening evaluation and monitoring mechanisms in order to remain sustainable and reduce risk. Training in for MFI field staff would go a long way to address some of the problems and constraints. This recommendation is also made to the social partners and ZAMFI.**

There is clear preference for applicants with training related to their activities. 56.5% of female beneficiaries and 83.3% of male beneficiaries were in activities related to their training backgrounds. The percentages for non-activity related training were higher among non-beneficiaries, both male and female. Some MFIs made it very clear that they preferred clients who had undergone their own training.

- **The study recognises that the core business of MFIs is lending and not training. It is desirable that this base of trained loan applicants be expanded without increasing the cost to the applicants who quite often cannot afford it. There is a need to make a distinction between simple orientation and skills training. Both are important and play different roles in ensuring the sustainability of MFIs on the one hand, and enterprises on the other.**

- **It is recommended therefore that MFIs work with institutions that provide training in technical skills so as not to disadvantage loan applicants who might not have undergone their own training. This could be with training institutions in their respective areas of operation. There are many non-lending organisations that seek to impart skills to the different categories of the disadvantaged mentioned above. Partnerships in this field would enable MFIs to concentrate on their core business and enjoy the ensuing synergies.**

More males than females were in formal employment. The study found no relationship between this observation and borrowing. In other words the previously unemployed also benefited from MFI lending.

- **This is commendable and MFIs are encouraged to maintain this non-discrimination.**

39.3% of female beneficiaries were mainly involved in textiles and garment fabrication compared to 5.3% males. 42.1% male beneficiaries and only 6.5% female beneficiaries were involved in manufacturing related activities. This finding is not related to MFIS lending biases.

- **It is suggested that MFIs start thinking about supplying information to their clients, especially women on other alternative activities instead of traditional ones, which in many cases may be over subscribed.**

There is a strong relationship between business record keeping and whether one accesses loans or not. This was strongest among female beneficiaries. 72% of who did so. Some MFIs gave basic training in this.

- **Given this observation it is recommended therefore that MFIs work in partnership with institutions and organisations that give this sort of training. This would not only improve the performance of loan recipients but would also assist the MFIs themselves in their follow ups and in monitoring projects they fund because of the existence of written records.**

It was observed that despite the interest expressed by many stakeholders in the employment creation capabilities of micro-enterprises, they are mainly owner operated enterprises, very few of them in the sample employed labour. This was because the loans offered to them were small thus limiting the possibilities for expansion. It was noted that this was itself a product of the levels of MFI capitalisation. Also there is a bias in MFI funding towards existing/older enterprises. It was concluded that in such a scenario MFI funding was limited in employment creation.

- **It is recommended therefore that serious efforts be made to devise strategies for increasing the capital base of MFIs so that the loans can make more impact on employment. The study noted, and it is reiterated here that funding should go beyond mere survival/basic requirements of recipients. The paradigm of MFI finance should move away from poverty alleviation to wealth creation.**

Despite the low employment figures for non-owners, there is strong evidence that these enterprises create off-shoots from departing employees who set up their own similar enterprises. They also got more assistance from MFI beneficiaries than from non-beneficiaries.

- **MFIs and their partners are therefore encouraged to note these spillover effects of funding in employment creation. MFIs need to position themselves for making inputs in all national discussions on employment creation. This is an issue that MFI partners need to take into account too.**

The largest enterprise in the sample employed 30 people, and cannot be counted among the micro-enterprises. Two enterprises employed 23 and 21 people each and four enterprises employed 7 people each.

- **MFIs funding should not necessarily be restricted to the tail end of the employment distribution scale. There is a real possibility to fund what may be termed small factories with higher employment creation possibilities. However this is not to suggest that this should be done at the expense of the micro enterprises, particularly the new ones.**

Reluctance to leave the enterprise even for higher income was found among all the study's respondents, but this was stronger among beneficiaries than non-beneficiaries.

- **It is recommended that MFIs and their partners make more concerted efforts for the recognition of their efforts at the policy level. Micro-enterprises are an option preferred by some sections of the population and are not just stop gap measures.**

Quite contrary to expectations, there was no evidence to suggest that women divert loans to consumption or other non-enterprise uses more than men. They seemed to be very clear on the consequences of loan diversion just like their male counterparts.

- **Even then it is imperative that both existing and new applicants need constant reminders on the consequences of this practice to avoid falling into a debt trap.**

It was a sad finding that illness impacts more negatively on women than men. This was both in terms of funds and production time diverted to attending to the ill. With the advent of HIV/AIDS it was quite clear on whom this burden fell most, i.e. women. The consequences of this gendered division of functions in attending to the ill meant that female beneficiaries suffered net losses in welfare compared to their male counterparts.

- **While the concerns of MFIs in recovering their loans and on-lending is understood, it is recommended that they come up with a collective policy for dealing with defaults in such cases.**

7.2 HOUSEHOLD IMPACTS

7.2.1 Household Expenditures

The study's findings are that there are gaps between the different sample categories on various items of expenditure. These gaps existed between male and female beneficiaries and between male and female non-beneficiaries. In most cases beneficiaries scored better than their counterparts. Even then there still existed gaps between male and female beneficiaries, usually in favour of males. But the overall finding is that loans had positive impacts on the household expenditures of beneficiaries. The conclusion from this finding, as emphasised throughout the report, is that there are factors lying outside the loans, which impede the closing of the gender gap between beneficiaries.

- **It is the recommendation of this study, therefore that, funding policies make a conscious effort to take into account these gender differentials in loan impact outcomes if the gap has to be closed. MFIs and their partners need to have women specific programmes in their funding policies. The current experience is that women are the majority and there is a preference for them. This bias should go beyond the track record of women in loan repayments. At the moment it would seem that this preference is self-serving and is not meant to close the gender gap with men.**

The study also observed positive loan impacts in favour of female beneficiaries on dietary items. In fact in this case the gender gap was in favour of female beneficiaries. While this is applauded, the study observes that this is in keeping with the gendered household division of responsibilities. Income increases for women are immediately translated into household expenditures, food in particular.

- **It is recommended therefore, that any assessments of female beneficiaries and the performance of their enterprises take into account these immediate household expenditures. An evaluation of the performances of female beneficiaries that does not take into account these gendered responsibilities would have missed the point and come with totally wrong conclusions. This point needs to be borne in mind by MFI evaluation and monitoring officers. The manner in which this affects overall performance compared to men cannot be over emphasised.**

7.2.2 Acquisition of Household Assets

There were no fantastic acquisitions of household assets observed among beneficiaries. This is ascribed to the nature of these items, which the study likened to capital expenditure. As was said, these are one-off purchases, which are suspended in times of economic crisis. It is quite possible, in fact that there could have been some respondents who were disposing of their assets as an income shock reduction strategy. However some purchases were noted pointing to positive impact of loans.

The pattern was that first time female borrowers, as a general trend, made acquisitions after the first loan. The conclusion was that their households enjoyed immediate welfare increases whereas male beneficiaries only made purchases with the second loan.

- **The study notes that quite often such purchases are done either on a hire purchase or lay-bye basis. Without being condensing, consumer information on such purchases during loan repayments derived from limited income can lead to serious repayment difficulties on both the loan and the item. This information is particularly relevant to new and younger borrowers. MFIs would lose nothing by either passing on this information themselves or working with the Consumer Council of Zimbabwe to strengthen consumer rights and protection.**

7.3 INDIVIDUAL LEVEL IMPACT

Among married female beneficiaries the study notes small but commendable moves towards empowerment. This comes from the number who said they made decisions on household expenditure on their own. The issue was control over income generated to avoid loans being a method of indirect borrowing for men. Nevertheless, the issue of the gender division of household responsibilities never left the discussion.

Similarly less female beneficiaries reported feeling worse off since the loan compared to non-beneficiaries. In terms of self-esteem, which is the whole purpose of human development beyond the narrow confines of income poverty alleviation, female beneficiaries scored higher than non-beneficiaries.

More female beneficiaries reported having joined a social organisation than non-beneficiary females.

- **Social organisations are important networking devices for the exchange of information. These are particularly encouraged for women who find themselves restricted to the enterprise or home.**

7.4 BENEFICIARY ASSESSMENTS OF MFIs

It is the observation of this study that most of the problems raised by clients go slightly beyond the MFI-client relationship. They are located in the broader macro-environment. Nevertheless it is worthwhile noting the problems expressed by clients:

It is almost redundant to raise the question if as a general policy MFIs practice gender discrimination against women. What is more interesting are the problems related to repayments. Out of 64 female beneficiary respondents 17% said that the repayment period was too short, although none suggested what a reasonable period was. Cash flow problems were expressed by 22%, death in the family was expressed by 17%. The data is meant to put into context the issues raised below.

The main sources of information on MFIs are by word of mouth, i.e. other clients, and friends and family. The media scored very low among female beneficiaries.

- **MFIs need to put in place better information dissemination mechanisms. This way they would be able to reach a wider market, perhaps of clients with newer ideas.**

- **From the problems expressed by clients there is need for MFIs to examine the question of the gestation period of projects. They cannot be lumped together for determining commencements of loan repayments.**

- **Standard ceilings on all loan applications can stunt the growth of some enterprises with growth potential. There is need for MFIs to treat applications on a case by case.**

- **In the absence of sources of new capitalisation for MFIs, some of them need to re-think on their minimalist approach. Are growth objectives best achieved through small loans that create a debt trap for the participant because they are inadequate for the purpose at hand, and therefore are more prone to diversion?**

- **There is need on the part of MFIs to exercise more flexibility on those who prefer individual lending to group lending. Part of the process will involve an improvement in screening and monitoring procedures.**

- **Given the complaints expressed by beneficiaries there is need for constant communication between MFIs and their clients on any loan related cost changes. A slight increase in transaction costs because of preparing simple statements would go a long way in reducing some of the acrimony discerned during fieldwork over un-communicated loan cost charges.**

7.5 ZAMFI OPERATIONS AND PRACTICES

Although there was no higher expectation, it was interesting that there was virtual complete ignorance about ZAMFI and its activities among both beneficiaries and non-beneficiaries. Only 9% of beneficiaries claimed to know or had an idea about ZAMFI. This information was from their respective MFIs, a ZAMFI organised workshop and the media. ZAMFI deals mainly with its member institutions and therefore the question was not raised with any great expectations.

- **The study nevertheless encourages ZAMFI to publicise its activities and mandate beyond its immediate client base.**

Following from the above recommendation and the communication problems cited earlier, there is great need to strengthen communication mechanisms with its client base, hoping that this information will filter down to the latter's membership. A good starting point is electronic networking with its members. Where such capacities are non-existent then efforts should be made to build them.

- **Despite the bias towards lending to women, there is no evidence to suggest that gender empowerment is the main concern among MFIs. There is need for ZAMFI, working with resource persons and institutions to develop a**

program for gender mainstreaming lending practices of MFIs and also gender mainstreaming the respective institutions complete with benchmarks and measurable targets. Only in this way, the study argues, will the gender gaps identified in the study be dented.

- **Beyond dealing with its client base and the communication that is growing with the Reserve Bank of Zimbabwe, ZAMFI needs to engage other stakeholders whose practices impinge on MFIs, e.g. local authorities.**

- **As mentioned by ZAMFI itself, there is need to set up a credit bureau for MFIs. This would assist MFIs a lot and reduce moral hazard. The electronic networking system suggested above is part of this process.**

- **Networking should also extend to the various branches and sub-offices of MFIs so that screening costs are reduced and in the process the lending biases of MFIs might be reduced and give life to other currently neglected areas and sections of society. A Management Information System supported by social partners is an urgent priority.**

- **The issue of the capitalisation of MFIs is a source of concern to all stakeholders. This was particularly so during the survey and the period referred to a year when inflation figures were high and loan values were frittered away in hours, so to speak. There is need for debate among all stakeholders on this issue. Where MFIs have been dependent on social investors to date, perhaps there is need to start thinking of alternatives.**

- **Following from the last recommendation the government should consider MFIs for special funds as it has done over the years for the formal sector, e.g. the Productive Facility advanced by the Reserve Bank.**

SECTION 8 CASE STUDIES

The study randomly selected case studies to give an insight into the livelihoods of, both beneficiaries and non-beneficiaries, changes in their social status and the burdens of the dependencies that are results of HIV/AIDS.

They are an attempt to give flesh to the data presented in the main sections of the report. The names of the respective MFIs have been removed for confidentiality and replaced with single alphabets e.g. A, B, C or X, Y, Z.

These case studies show clearly that there are other non-loan influences, which reduce the impact of the loans. This is especially so with the sizes of the loans, which are perceived to be too small. And yet these are themselves the results of both the levels of capitalization of MFIs and their minimalist approach in an effort to reach as many beneficiaries as possible.

Respondent 1

The client is 28 years old. He is married with two children. He lives in a household of 9. The client is a carpenter and has been for about 7 years. He works from a grass-thatched shed, which he says is inadequate and unsafe.

He heard about the MFI through the radio and was advised where to go by a fellow carpenter. He has been borrowing from A since mid 2002. He needed the loans to buy building materials. The money he was given was too little to help very much. However, he managed to venture into another product line, i.e. lounge suites. The loan helped him to increase his total output.

With his profits he saves or invests in assets such as cattle. He says before he took the loans he could manage his household expenses but now that the cost of living has gone up he is finding it difficult. Expenses have also increased because of his wife's ill health. She is recovering from a caesarean operation. He is the breadwinner despite being 4th child in his family, therefore most financial responsibilities lie on him.

Despite these hard times he has managed to buy a scotch cart, livestock, agricultural equipment, wheelbarrow and building materials (asbestos). He donates towards church activities and is chosen to lead a number of events. He is preparing to run a tuck shop in his resettlement area and he says the loans taught him that he is able to increase the scale of his business with more capital

Respondent 2

This business lady is 40 years. She is married with 5 children. She lives in a household of 14, which is male headed. She owns a traditional ware flea market stand where she sells brooms, snuff and clay pots among other things. The business is 4 years old and was prompted by poverty. She is a non-beneficiary.

She says she meets most bills with relative ease except for rentals and transport. Income from the enterprise enables her to pay school fees for her daughter without difficulty. Her income has also helped improve the family's intake of beef and vegetables while intake of all other food items has declined. She has not purchased any household items, which have made a significant change to her household or herself.

She spends a lot of time and money taking care of the sick. She has looked after 3 HIV positive relatives and at present she is looking after another and she has to buy soap, gloves and other necessary materials. She says her status has not changed and to her it seems she has made more enemies. She would like to be assisted with loans so that she can look after her family or with blankets since she is looking after orphans.

Respondent 3

The client is 33 years old, female and married. She has 5 children and lives in a household of 7. She has a poultry and sewing business. The business, which she started almost 3 years ago, was prompted by the need to supplement her husband's income.

She says support of the loans she took from B helped improve her output slightly. Her first loan of $25 000 she used for chicken feed, the second of $100 000 was used on farming seed. The loans helped her increase her batch of chickens.

She shares some household expenses with her spouse, whilst for others such as school fees, she is totally dependent on him. The family's diet has improved slightly because of income from the enterprise. She managed to buy kitchenware with her profits.

Her child was run over by a car and she had difficulty repaying the loan because of medical bills. The client and her spouse are both HIV positive and thus spend large sums of money on X-rays and anti-retrovirals. Before she fell ill her social status had improved but now she has limited funds to do so. She would take up regular employment to help supplement household income.

Respondent 4

The respondent is 50 years old. She is married with 6 children. She got into business in 1994 as a cross border trader. She needed to help her husband support the family. She is now into buying and selling.

The respondent is a C client. She heard about the MFI from a friend. She has only borrowed twice. They took 2 months to process the first loan so by the time she received it her business was already crumbling.

She needed the money to increase her stocks and look after her 3 orphaned grandchildren. She also wanted her own tuck shop. She used the money to pay school fees instead and it made little impact on her business. She paid back the loan in 2 months instead of 6 months. All in all she is happy with MFIs although she feels female officers would be easier to talk.

Before she got the loans she was totally dependant on her spouse to meet household expenses. Now expenses are shared. She says her family is now eating for survival because food is expensive and they can no longer afford meat. She has bought no household items. Her status has not changed because she is still struggling.

Respondent 5

The respondent was a client of D. She is 43 years old and married with five children, two of which are deceased. She lives in a household of 14. After her husband retired he went into soap making through an organisation, which gave him assistance.

She realized her spouse was making a lot of money from soap making so she joined him in 1995. Although soap making is her main line of business, she also sells shirts from Zambia and African attire materials.

Since she got a loan from the MFI her output has greatly improved because of improved skills and access to better materials. She heard about D from a relative. She says they were very helpful although they did not specify that she would be charged weekly interest. She got a loan of $500 000 with which she bought tallow and other materials required in soap making. The institution took the clients deep freezer, at her expense, to their premises for holding / storage until the loan was paid up. She says this did not go down well with her and that they would have rather taken title deeds to the house. She says the impact of the loan is minimal because of inflation.

She is managing her household expenses with ease and the family diet has improved. She has managed to buy a number of household items namely electrical goods and a car. She says she has gained confidence and neighbours and church members respect her because they realize she has something to offer. She has no time to rest because when she is not with her family or business she is attending workshops and visiting the sick. Since she works with the youth and orphans she would like loans to be made accessible to them so that they are able to start projects to upgrade themselves.

Respondent 6

The respondent is 57. She is married with six children. Her household is made up of 3 members. She got into business in 1975 after she decided that she did not want to be employed but to start her own. She has a hair saloon, a flea market stand and a brick-moulding project.

She says the MFI officers came to Tsholotsho and held a meeting where they told them about their loan facilities. She has been borrowing for three years but she says the money is just too little. She had tried another source of finance from a women`s organisation where a number of women including her were made to pay contributions but the loans never materialized. She is now a client of E and F. The latter is not an MFI

She says she took the loans to expand her businesses. The first loan ($50 000) she used to buy hair chemicals. The second ($20 000) was used to buy clothes for the flea markets stand, and the 3rd ($200 000) was used to buy brick moulding materials. The money from the E was too little to be of significant use. Thus the impact on her business was very little. The money from F on the other hand had a great impact on her business. She is extending her shop and her output has also increased. She says this is because they gave her exactly what she wanted and as such she was able to do more. The size of the F loan is proportional to her type of business.

She also says that her business is affected by the poor infrastructure in Tsholotsho. The roads are very bad and they need to be tarred. She says they also need electricity in some parts of Tsholotsho.

She says she is managing her bills with ease and her family's diet has greatly improved. With her profits she has bought various electrical goods although her television is not in use since the area has no reception. She managed to buy a car, bicycle, scotch cart and livestock. She believes her status has changed for the better because she has money.

Respondent 7
Respondent 7 was an F client. She is 49 years old and is married with 5 children. Her household is made up of 9 people. She is a cross border trader. Her main products are blankets, dinner sets and plates. She is also a foreign currency dealer and runs a poultry project.

She heard about the MFI from another client. The loans took a long time to come and she was given less money than she had applied for. She believes there was a negative perception of women as people who lack initiative and entrepreneurial skills.

She subsequently went to another MFI, G and her loan was processed quickly

The first two loans were beneficial because she was able to sustain her family (paid school fees and bought food) and she reinvested a total of $900 000 during the beginning of 2004 for business expansion. The last loan was less than she had budgeted for and she had already bought more stocks on credit than she could repay using the loan.

She says the family used to have a hard budget before the loan but now it is much better. They are coping with bills and their diet has improved. She bought a T.V., radio, furniture and a solar panel.

She says her mother was mentally ill so she had to foot both her medical and household bills. Her sister's 3 daughters succumbed to the disease and she had to foot their medical bills as well. She does rest but not often because she is always looking for money.

Respondent 8
The client is a 56-year-old woman. She is a widow and has 6 children. As a result of not having money to support her family she decided to become a vegetable vendor. She says back in 1987 when she started costs were very low and the business was very profitable. Now her costs have increased and there are far too many vendors for her business to be profitable. She sells from an open space by the roadside and in bad weather she has to shut down her business.

The respondent is a beneficiary of A. She applied for the loan because she did not have capital to order vegetables. The ones she had took too long to sell. By the time they were sold out she had already used the money for household consumption. She needed the money from her business to look after her family and to send her children to school.

She says the first loan of $10 000 was too little to order her goods so she had to go back for the second. This time she was given $25 000. Unlike the first loan, which she used for household consumption, she used this one to order her goods. It helped her for a short period of time but now she needs to go back for a third loan because she says things are too expensive. All her gains are used re-ordering or household consumption. Even with the business running she says she still meets bills with difficulty and her diet has been confined to sadza and vegetables daily. However, she managed to buy kitchenware with some of her profits.

The respondent says her relatives are dying almost every month and a week before the interview she had been to the rural areas to attend a funeral. She spent a lot of money there and had none to order her vegetables. Her brother passed away 4 years ago and left her two children for her to look after. Her brother died of AIDS. Her daughter-in-law also died of AIDS. Her husband is unemployed and lives in the rural areas. She says as a result of the misconception that town folk are better off financially she spent a lot of money at the funeral. She is now looking after 3 families and as such she has no money for club contributions, her status changed and she hardly gets any rest. She lives with hope that one day she might have a better life.

Respondent 9
The respondent is 36. He is married with three children. His household is made up of 4 people. He is a qualified miner with a meteorology diploma from the school of mines. Before venturing into his own business he was a surveying assistant at a mine in Gwanda. He now runs his own mining company.

He buys gold for resale from the miners and offers them support in the form of money or equipment. His profits are low because he buys at high prices from the miners and has to sell the gold to the central bank at low prices.

He says his costs have skyrocketed. Mining equipment is too expensive and they have to hire at very high rates. He suggests that as miners they should form groups to buy machinery or seek financial assistance from large organizations. He says that since he works with gold-panners and miners he prefers a male labour force because mining can be very dangerous. His brother has ventured into the same line of business and is doing very well.

The respondent is a client of H. He was also once a client of A and X. The loans that he is given are too small to be of use in his line of business. He has tried commercial banks but they are skeptical about gold mining and they themselves fail to meet some of their requirements.

He uses the loans in his businesses. He is also owner of 3 tuck-shops, a phone shop and has a vehicle operating as a taxi. With his current loan of $500 000 he is starting a fence making project. The loans helped him run his businesses and expand. He is building a house in Gwanda, making developments at his rural home and he has electrified his homestead.

The respondent is managing his bills with relative ease and his diet has improved and also includes luxuries such as ice cream and dessert. He has bought scores of household items and has is responsible for his siblings` school fees.

The respondent says he possesses and can do things, which people with the same opportunities cannot. He is respected not only by his peers but by older people as well. With a workforce of 21 he has ample time to rest.

He is currently working with the loan officers by helping to market the organization. This respondent has heard about ZAMFI from the loan officers of his MFI.

The only way the respondent can take up regular employment would be he was paid about $2 million a week.

Respondent 10
The respondent is 39 years old. She is married with seven children and lives in a 9-member household. She has a brick moulding and market gardening business. She is also a preschool teacher but her salary is less than income from her business.

She is a Y client. The loan officers visited Tsholotsho and told people about their services. She applied and was given a loan. Her first loan was $10 000 which she used to buy raw materials. Her second loan was $300 000 which she used like the first one.

The respondent prefers paying her instalments before doing anything else with the money. Before the loan she was only able to mould a small number of bricks and since she took the loans her output has increased. Her only problem is that the demand for bricks is very high and she cannot supply them due to financial constraints.

Given more money she would improve her output even further and thus do away with her dependence on loans.

She is managing her household bills with help from her spouse. Her diet has improved and she bought livestock and agricultural equipment. Contributions to her family and clubs have improved. She says people see her as a person that they can turn to for help. Despite her commitments she has free time for herself and the family

Respondent 11
The respondent is a J client. She is 46, married and has 5 children. When her husband retired from the army, she decided to start a poultry project to help supplement household income. She is also a cross border trader. Her husband has a commuter business and ferries people to Plumtree.

A friend of hers invited her to a group meeting where she came to know about J and their loan facility. She has been their client for four years. She says as a source of finance she would rate them as average because they have high interest rates and short repayment periods.

With her first two loans she bought chicken feed and with the third she bought soap and sugar for resale. The repayment period greatly affects her line of business. Chickens take approximately 6weeks to fully grow and the first instalment is usually due in about 3weeks. By then the chickens will not be ready for sale, which translates to a delay in payment and greater interest charges.

With cross border trade, it takes time for you to sell your goods and to collect the money. Transport costs are ever increasing as well. Delays in loan repayment are thus very common. She suggests the introduction of a grace period be proportional to the gestation period of the project.

Together with her spouse, they are coping with household bills. Overall the family's diet has improved and she has bought kitchen utensils with profits from the enterprise. They have contributed funds towards funeral and medical expenses of relatives and friends. She says her status has improved although she has little resting time because she has to make money to keep up with the lifestyle she has introduced to her family.

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QUESTIONNAIRE

STUDY ON THE IMPACT OF MICRO-FINANCE INSTITUTIONS ON FEMALE OWNED MICROENTERPRISES

Questionnaire				**Reference:**

Name of Interviewer……………………………………………………………

Name of Referring MFI ……………………………………………………….

Start Time ………………　　　　　　Finish Time………………

Verified by Field Supervisor (Date and Signature)……………………………………….

Business Address:

……………………………………………………………………………..

Residential Address:

…………………………………………………………………………….

Tel……………………..Cell…………………………

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1. Demographic Characteristics of Respondent

101. Age ……………………………

102, Sex ……………………………

103. Marital Status ……………………………

104. No. of Children ……………………………

105. Total household size ……………………………

106. Head of household MALE=1 / FEMALE=2

1007. Other Respondent present during interview and relationship to main respondent

1=Spouse
2=Child
3=Relative
4=Employee
5=Other (Specify)………………………..

2. Educational and Training Background

201. Highest educational level attained by respondent ………………….

202. Highest educational level within the household? ……………………

203. Do you have any vocational training? YES=1 / NO=2

204. If yes, please give information below:

Course	**Duration and Year**	**Qualification**	**Awarding Organisation**
1			
2			
3			

205. List seminars and workshops you have attended (If too many please ask for those related to business only):

Seminar/Workshop	**Duration and Year**
1	
2	
3	
4	
5	

206. What were you doing before starting present activity? (Tick)

Formal sector Emp`t	Comm er-cial Farme r	Farm worker	Subsist-ence farmer	Season nal worker	Casual worker	Urban unemp l	Rural unemp l	Simila r Enterp rise	Other ……… ………
1	2	3	4	5	6	7	8	9	10

3. History of Enterprise

301. Who came up with the idea of setting up the enterprise/business? (Tick)

1.Self	6.Development worker e.g. Church,
2.Spouse	7.Consultant, etc. (Specify)
3.Children	8.Donor (Specify)
4.Relative/s	9.Other e.g. Inherited
5.Friends/Neighbour/s	

302. How old is the business/business (N.B. Not from the day loan was received) (State date started, if less than a year old state month in 2003/4)

………………………………

303. What was the major reason for going into this business? (Multiple answers)

1.Could not get employment	4.Need to supplement income from employment
2.Earn more than on regular job	5.Need to supplement income from subsistence farming
3.Like to be independent	6.Other (Specify)

304. Method of start up of business:

Type of Seed	**Amount (If in kind estimate cash) Value $**
1. Own Savings from previous employment	
2. Savings from household expenditures	
3. Grant from spouse	
4. Loan from relative/s	
5. Terminal benefits from previous employment	
6. Spouse's deceased estate	
7. Loan from commercial bank	
8. Grant from donor (Specify)	
9. Loan from MFI (Specify which one)	
10. Savings Club	
11. Other	

305. If the business existed before your involvement, when did you get involved i.e. year ……

306. How did you get involved?

……………………………………………………………

4. Products/services and production/provision

401. What is your main line of business?

……………………………………………………………………………………

402. List your three main products/services

1…………………………………………………………….

2.……………………………………………………………

3.……………………………………………………………

403. Do you have any other source of income apart from this business? YES=1 / NO=2

404. If **Yes**, Please specify what the source is: (Multiple answers)

Source (Specify nature of business)	**Monthly income**	**Income in last 3 months**	**State if income is greater than from enterprise**
1.Other business			
2. Other business			
3. Employment			
4. Cash Transfers from			
5. Cash Transfers from (If abroad say where)			
6. Other source			
7. Other source			

405. How has your output changed since you received the loan ? (Tick appropriate answer)

1. Remained the same	3. Improved slightly
2. Declined	4. Greatly improved

406. How do you account for this change? (Multiple answers)

Source of change	
1. Improvement in skills	6. Availability of forex
2. Access to better materials	7. Laws and bye-laws
3. Obsolescence of equipment	8. Natural factors e.g. drought
4. Lack of materials	9. Social factors, (Specify)
5. Inflation	10. Other

407. Who are your suppliers? (Multiple answers)

Supplier	
1. Manufacturer/s	5. Cross border trader/s
2. Wholesaler/s	6. Self (Waste material)
3. Retailer/s	7.Self (Natural resource extraction)
4. Informal trader/s	

408. Compare changes in costs (N.B. These are estimates of average costs for entire operation. IF difficult to estimate give estimates for 2 typical costs)

Magnitude of change%	**Cost during first 6 months of operation**	**Cost during last 6 months**
1. 0-20		
2. 21 40		
3. 41-60		
4. 61-80		
5. 81-100		

409. Specify the business premises and the costs (If rented please specify rentals. Type of structure e.g. brick and mortar with roof, wooden cabin, tin , open space, etc.)

Type	**Cost**	**Type Of structure**
1.Own-residential		
2.Rented residential		
3.Own non-residential		
4.Rented non-residential e.g. market stalls		
5.Local authority designated		
6.Non-fixed		
7.Water		
8.Electricity		
9.Other		

410. Are your premises adequate for your business? (Explain)

……………………………………………………………………………………………

411.1 Does your enterprise use/own capital equipment? YES=1 / NO=2

411.2 (Tick all items mentioned by the respondent. Estimated value e.g. if you were to sell it.)

Type	**Estimated value**	**Owned (Source of finance)**	**Hired**	**Borrowed**
1.Hand tools				
2.Power driven tools				
3.Machines				
4.Furniture				
5.Vehicles				
6.Other, specify				
Estimated total value				

412.What constraints do you face in acquiring equipment for your business and what suggestions do you have for overcoming these?

Constraint

1 ……………………… 2 ………………… 3 ……………………

Suggestion

…………………………………………………………………………………………

5. Records

501. Do you maintain business records? Tick. YES=1 / NO=2

502. If yes, which ones do you maintain (Multiple answers)

Type	Complete	Partial	None
1. Expenditure			
2. Sales			
3. Credit			
4. Loan repayments			
5. Other			

503. If no, why don't you maintain records?

………………………………………..

6. Sales

601. Please list your three leading products in terms of sales?

1………………………………. **3…**…………………………….

2……………………………….

602. How have your sales changed in the last 6 months? (recall) (Tick in appropriate box for each product)

Nature of change	**1.Product/ service**	**2.Product/ service**	**3.Product/ service**
1. Remained the same			
2. Declined			
3. Improved slightly			
4. Greatly improved			

603. How do you price your products? (Multiple responses)

Method	
1. Bargaining	4. Informal agreement with other producers/sellers
2. Adjust prices to competitors	5. Other (Specify)
3. Formal agreement with other producers/sellers	

604. How do you market your products/services? e.g. word of mouth, radio, T.V., newspapers and magazines, local shows, regional shows, special offers, etc.

……………………………………………………………………………………………

605. Who were your main customers in the last 6 months? (Multiple responses)

Customers	
1. Individuals	5. Parastatals
2. Retailers	6. Government Depts.
3. Wholesalers	7. Micro-enterprises
4. Manufacturers	8. Intermediary agents

606. Do you offer credit terms to your clients? (Tick) **YES (1) / NO (2)**

607. Give terms (e.g. lay-by/deposit, instalments-repayment period. N.B. Third column refers to cases where goods are released on the basis of trust or long term association)

Customers	**Terms**	**No terms but trust**
1. Individuals		
2. Retailers		
3. Wholesalers		
4. Manufacturers		
5. Parastatals		
6. Government Depts.		
7. Micro-enterprises		
8. Intermediary agents		

608. Any preference for any particular sex when giving credit? (Tick) **YES (1) / NO (2)**

609. Elaborate on your preference? (e.g. women are more reliable)

……………………………………………………………………………………………

7. Labour Force Details

701. Give a breakdown of the following labour force details:

Job title/ function of worker	**Sex M/F**	**Age**	**Relation-ship**	**Educ. Level/ Skill level**	**Type of contract**	**No. of days per week**	**Wage/s and benefits**
1.							
2.							
3.							
4.							
5.							
6.							
7.							

702.1 Do you have any sex preference/s in your recruitment? (Tick)YES (1) / NO (2)

702.2Explain ……………………………………………………………………….…….

703. Do you provide training to your employees? e.g. On- the job, send to vocational training etc. (If none, ask why not?)

…………………………………………………………………

704. How many employees have left to set up own businesses? Breakdown by sex and state if in similar business. …………………………………………………….

705.1 Did you assist them? **(YES=1/NO=2)**

705.2

Elaborate………………………………………………………………………

………

…………………………………………………………………………………………

706.1 Have you experienced any labour shortages in your business? **(YES=1/NO=2)**

706.2 If yes please elaborate on the nature of this shortage

…………………………………………………………………………………………

…………………………………………………………………………………………

8. MFI Details

801. How did you hear about your MFI?

Source	**Tick**	**Source**	**Tick**	**Source**	**Tick**
1.Another client		6.T.V.		11.Govt.	
2.Spouse		7.Press advert		12.Donor	
3.Family member		8.News item		13. Church	
4.Friend		9.Poster/flier		14.Other	
5.Radio		10.MFI officer		15.Other	

Take notes on any extra information: …………………………………………………

…………………………………………………………………………………………

802. How long have you been borrowing from this MFI?

……………………………………

803. Did you have any problems in securing funding from the MFI? (Explain)

…………………………………………………………………………………………

804. Do you think these problems are in any way related to your sex? YES=1 / NO=2

805. Explain last statement

…………………………………………………………………………

806 Have you had problems in securing funds from other sources of finance (including other MFIs)? YES=1 / NO=2

807 Explain.……………………………………………………………

………………………………………..……………………………………………

808 How do you compare different sources of finance (Complete for each source if possible):

Type of lender	**Excellent**	**Good**	**Averag**	**Difficult**	**Very difficult**	**Reasons**
1.MFI						
2.Private money lender						
3.Commercial bank						
4.Building Society						
5.Other financial Institution						
6.Other e.g. friends/relatives						

809. How long did the MFI take to process your application for a loan from your the MFI ?

1.First Loan		4.Fourth loan	
2.Second loan		5. Current loan	
3.Third loan			

810 **Wer**e you assisted in making your first application for a loan? YES=1 / NO=2

811. If yes, who assisted you?

1.Spouse		5.Donor		9.Other	
2.Family member		6.MFI officer		10.Other	
3.Relative		7.Church			
4.Friend		8.Local club			

812. Do you still need assistance to make a loan application? YES=1 / NO=2

813. Do you think that from your experience you are now able to assist others to make an application for a loan? YES=1 / NO=2

814. Would you be willing to do so? YES=1 / NO=2

815.IF no, why not? …………..

816. Please give details on your current and past loans from the MFI:

No. of loans	**Size of loan ZIM $**	**Interest rate**	**Repayment period**	**Instalment**	**(PU) /(RO)**	**Purpose**
1.First						
2.Second						
3.Third						
4.Fourth						
5.Current						

N.B. PU=Paid up, RO=Rolled over

817. Did you face any problems in servicing any of the above loans? YES=1 / NO=2

818. Please explain

……………………………………………………………………………

819. If you had the power to change the way MFIs operate what changes would you introduce?

820. Was the loan used exclusively for the enterprise? YES=1 / NO=2

821. If no, what was it used for and what proportion of it? (Estimate percentage PROBE)

	Proportion
1. Other business	
2. Household consumption	
3. Household durables	
4. Assistance to relatives or community	

822. What is your assessment of the impact of the loan on your business? (Let the respondent elaborate. PROBE)

……………………………………………………..………………………………

9. Spending of earnings:

901. How much of your earnings have you reinvested in the enterprise in the last 3 months? Month 1)………………….Month 2)……………… 3) Month ……………..

Total ………………………..

902. How much did you reinvest in the first 3 months of 2003 (if enterprise is more than a year old) or in the first 3 months of operation (if less than a year old)?

Month 1) ……………….. Month 2) …………………. Month 3)………………….

Total ……………………….

903. Please give the following information on earnings spent on household expenditures.

(Fill in the correct code for each type of expenditure, e.g. food: before loan, if the respondent says with great difficulty then code is =3)

Before loan: Expenses shared with spouse/other household members**=1**

Totally dependent on spouse/other household members**=2**

I used to meet the bills with great difficulty**=3**

I used to meet the bills with relative ease=4

After loan: Still share expenses with spouse/other household members**=1**

Still totally dependent on spouse/other household members**=2**

I still meet the bills with great difficulty**=3**

I now meet the bills with relative ease=4

Item	Before loan	After loan	Item	Before loan	After loan
1.Food			7.Furniture		
2.Rentals, electricity, water etc.			8.Electricals		
3.Transport			9.Vehicle		
4.Health and medicines			10.Clothing		
5.Education for girl-child			11.Other		
6.Education for boy-child					

904. How were the decisions on expenditure made?

Person/s	Tick
1.Respondent only	
2.In consultation with spouse/partner	
3.Jointly with spouse/partner	
4.In consultation with other Household members	
5.Other	

905. Please give further details on how income from the enterprise has changed your diet e.g. does your family eat food items you never afforded before ?.. Remained the same=1, Declined=2, Improved slightly=3, Greatly improved=4

Food item	Before loan	After loan
1. Beef		
2. Chicken		
3. Fish		
4. Legumes		
5. Vegetables		
6. Eggs		
7. Starches		
8. Fruits		
9. Other		

906. Which household items purchased with your profits do you feel have made a significant change to your household and to yourself? e.g. increased access to information, leisure, and reduced hours spent on household chores. (Multiple responses)

Item	**With profits from enterprise**	**Part enterprise/part other source**
1. Cooker		
2.Refrigerator		
3. Deep freezer		
4. Television		
5. VCR		
6. Radio/cassette player		
7. Transport (Specify)		
8.Scotchcart		
9.Small livestock, (goats etc.)		
10.Big livestock, (cattle etc.)		
11.Poultry		
12.Agricultural equipment		
13.Borehole/water-bowser on wheels		
14.More efficient stove		
15.Grinding mill		
16.Traditional instruments		
17.Other		

907. Has illness/death of a family member/relative/ or household member affected your business negatively? (Tick appropriate response) Diversion of funds to look after the sick/funeral=1, production time attending to the sick/ funeral=2, both=3, no=4

908. To be more specific, has HIV/AIDS affected your business in anyway impacted on your business in any way? (If answer is the same as above please skip this question)

YES=1 / NO=2

909. Explain ……………………………………………………………………………

910. Since you started operating your business with a loan from your MFI, have you joined any social organisation? YES=1 / NO=2

911. State type of organisation? …………………………………

912. Since you started operating with the loan have your contributions improved? (Tick) (IF non-beneficiary ask the question differently i.e. "without the loan..)

Type of organisation	Financial	Material
1.Church activities	**1.1**	**2.1**
2.Savings Club	**1.2**	**2.2**
3.Burial Society	**1.3**	**2.3**
4. Extended family affairs	**1.4**	**2.4**
5.Neighbourhood	**1.5**	**2.5**
6.Other	**1.6**	**2.6**

913. Do you feel that your status has changed in any of these organisations? YES=1 / NO=2

914. Explain how it has changed? ……………………………………………….

915. Do you feel you now have free time to yourself? ………………………….

10 General

1001. Do you know about ZAMFI and what it does? YES=1 / NO=2

1002. If yes explain

…………………………………………………………………,

1003. What would you like to see ZAMFI doing for you? (If answer was no to the last question, explain what ZAMFI is to the respondent before proceeding)

1004. Is there anything you feel the government/policy should do to assist people like you?

1005. If offered regular employment would you give up your business?

Yes for same income = 1

Yes, but for higher income = 2

No, not even for income = 3

Explain reasons for your answer

1006. Are there any other issues you would like to raise?