UNIVERSITY OF LUSAKA

# SCHOOL OF POST GRADUATE STUDIES

RESEARCH DISSERTATION

## INVESTIGATION OF THE IMPACT OF MICROFINANCE SOLUTIONS ON POVERTY REDUCTION IN LUSAKA, ZAMBIA

# DECLARATION

I, Kadiata, hereby declare that this dissertation, titled "Investigation of the Impact of Microfinance Solutions on Poverty Reduction in Lusaka, Zambia," is the result of my own research efforts. I affirm that this work has not been submitted for any other degree or examination at any other institution. All sources and references used in this dissertation have been duly acknowledged.

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# DEDICATION

I would like to dedicate my dissertation work to my family and friends. A special feeling of gratitude to my mother, Jessy whose words of encouragement and push of tenacity ring in my ears. My sister Dieyenaba and niece Olive have never left my side and very special.

I also dedicate this dissertation to friends and colleagues who have supported me throughout the process. I will always appreciate all you have done especially Esther Lubona for helping me develop my technology skills, Dulcie Kaluba for the many hours of proofreading and Emelly Banda for helping me master the statistical commands skill. You all have been my best cheerleaders.

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## ABSTRACT

This research aimed to investigate the impact of Microfinance solutions on poverty reduction in Lusaka, Zambia. The specific objectives include assessing the effect of Microfinance financial advice, analyzing the influence of access to Microfinance loans, and examining the impact of Microfinance savings services on poverty levels among different households in Lusaka. The study was guided by these theories: Theory of Empowerment, Financial Systems Approach and the Poverty concern theory.

A mixed research strategy, incorporating both qualitative and quantitative approaches, was employed for this study. An embedded design was utilized to provide a comprehensive understanding of the research subject. Both Approach, inferential statistics and thematic analysis were integrated to compliment the mixed. Data was collected from 200 respondents analysed using theme analysis for qualitative information and regression analysis for quantitative data. SPSS v26 and Excel 2016 were utilized for the analysis.

The study demonstrates the significant role of microfinance organizations in poverty reduction. Access to loans and financial counselling positively influences poverty reduction, with financial advice playing a crucial role in enabling informed financial decisions. While savings contribute to poverty reduction, their impact may be less than that of loans and financial guidance. The practical implications of these findings suggest that microfinance institutions should prioritize the provision of comprehensive financial advice and accessible loan services to effectively combat poverty.

It was recommended that Microfinance institutions (MFIs) should enhance financial consulting services through ongoing educational initiatives. Capacity building, diversified loan offers, and careful interest rate management are crucial. Policymakers and regulators should create a supportive regulatory environment to encourage microfinance for poverty reduction. Implement rigorous monitoring methods and offer incentives for MFIs serving disadvantaged areas. Donor organizations and development agencies should support research projects maximizing microfinance techniques for long-term poverty reduction.

***Keywords: Poverty, Microfinance, financial advice, loans, savings***

# CHAPTER ONE

# BACKGROUND

## 1.0 Introduction

The purpose of this study to investigate how microfinance solutions affect low-income households in Lusaka, Zambia, in terms of income production and poverty reduction. Microfinance has been promoted as a viable means of reducing poverty in several developing nations, including Zambia, in recent years. Understanding these solutions' efficacy and how they affect the lives of the individuals they are meant to assist is still necessary, though. This chapter will outline the study's goals, give background information on the issue of poverty in Lusaka, and emphasise the research's importance in combating the issue of poverty in the area. This study attempts to give insights that can guide the creation of efficient policies and interventions that can enhance the lives of low-income households in Lusaka by examining the effects of microfinance on income production and poverty reduction.

## 1.1 Background of the study

Low-income individuals or groups who lack access to financial services are offered banking services, which are commonly referred to as microfinance. These services encompass a wide range of offerings such as money transfers, savings accounts, insurance, and microcredit. The emergence of the microfinance sector can be traced back to the 1970s, and since then it has expanded its reach to various developing nations. Specifically, in Africa, the provision of microfinance services has been recognized as a vital development strategy in recent decades in order to enhance the capacity of the impoverished population to engage in productive and sustainable endeavours. The ultimate goal of this approach is to alleviate poverty (Chiumya, 2016).

Organizations that provide financial services at the micro level are commonly known as Micro Finance Institutions (MFIs). The establishment of MFIs in Zambia was largely driven by the liberalization of interest rates and foreign exchange markets. This regulatory change, as highlighted by Brownridge (1996a), played a significant role in paving the way for the establishment of MFIs. Notably, the 1970s and 1980s witnessed the founding of two prominent MFIs in Zambia, namely the Zambia National Building Society and LIMA Bank, as documented by Maimbo and Mavrota (2003). Subsequently, there has been a consistent increase in the number of microfinance companies in Zambia, offering an expanded range of financial services and products. It is worth noting that a considerable portion of individuals who make use of microcredit facilities come from middle-class and lower-class households, seeking financial support for a multitude of reasons (Chiumya, 2016).

## 1.2 Statement of the Problem

A number of research studies such as those of Sayvaya's (2012); Morduch (2018) ; Kongpasa and Mieno (2014) have indicated that microfinance is perceived as a mechanism through which individuals with low incomes can access financial services, including but not limited to money transfers, micro-insurance, microcredit, and savings accounts. The provision of such services has the potential to improve the financial standing of these individuals and reduce their dependency on local moneylenders (Imai et al., 2010). Although certain investigations have showcased the advantageous impacts of microfinance initiatives, other research findings suggest that these programs do not exclusively target the most impoverished individuals and fail to offer long-term services that would effectively eradicate poverty (Zeller and Meyer, 2002; Bateman, 2010). Furthermore, there exists an insufficient amount of empirical evidence to substantiate the use of microfinance as a development strategy to combat poverty. The high interest rates associated with microcredit have the potential to result in excessive debt and default among the lower and middle classes, thereby compromising the assessment of the benefits of microcredit for this specific demographic. Therefore, the primary objective of this study is to determine the extent to which microfinance contributes to the reduction of poverty among beneficiaries of microfinance households in Lusaka, Zambia.

## 1.3 Objectives of The Study

### 1.3.1 General Objective.

To investigate the effect of Microfinance solutions on Poverty Reduction in Lusaka, Zambia.

### 1.3.2 Specific Objectives.

1. To determine the effect of Microfinance financial advice on poverty reduction among different households in Lusaka.
2. To analyze how access to Microfinance loans affects influences the poverty levels among different households in Lusaka.
3. To find how access to Microfinance savings services affect poverty levels among different households in Lusaka.

## 1.4 Research Questions

1. What is the effect of Microfinance financial advice on poverty reduction among different households in Lusaka?
2. How does access to Microfinance loans influences the poverty levels among different households in Lusaka?
3. How does the access to Microfinance savings services affect poverty levels among different households in Lusaka?

## 1.5 Scope of the Study

The focus of this research proposal is on low-income households in Lusaka, Zambia, and how microfinance solutions affect their ability to generate money and reduce poverty. The study will concentrate on the different microfinance services, such as microcredit, micro savings, and microinsurance, that Microfinance Institutions (MFIs) in Lusaka offer. The impact of initiatives or programmes for reducing poverty other than microfinance solutions will not be examined in this study. The study considered those who are and have been beneficiaries of MFI for at least 4 year, therefore this study considered Households which have been beneficiaries for 4 years. This research had timeframe of 6months

## 1.6 Significance of the Study

First and foremost, the study's conclusions will add to our understanding of how well microfinance programmes work to lift low-income families out of poverty. This is especially crucial in light of the few empirical data about microfinance's contribution to Zambia's decline in poverty. The research will provide light on the particular microfinance strategies that work to lower poverty and enhance the standard of living for low-income households in Lusaka.

Second, the research will educate stakeholders and policy makers on the potential of microfinance solutions to aid in Zambia's fight against poverty. The study's conclusions can direct the creation of programmes and policies that can successfully combat poverty nationwide, especially in Lusaka.

Thirdly, by offering insights into the unique requirements of low-income families and the kinds of microfinance solutions that may best serve them, the study will help microfinance institutions in Zambia. This can assist microfinance organisations in customising their goods and services to match the demands of their intended consumer base.

### 1.7 Thesis outline

There are seven chapters in the thesis. As an introduction, Chapter 1 covers the study's history, research topic, questions, aims, and scope and importance. In order to fill in the gaps in previous research and provide an update on the state of the issue under inquiry, Chapter 2 critically reviews the body of existing research literature. In Chapter 3, the research variables are illustrated and the guiding theories are highlighted as the theoretical and conceptual framework is explored. Chapter 4 provides a full account of the data collection process, data analysis tools, and ethical concerns pertaining to the use of human subjects. Chapter 6 delves into the discussion of the study's conclusions, whereas Chapter 5 concentrates on the presentation and analysis of data. Chapter 7, the last chapter, offers findings, suggestions, and ideas for more study. This organised framework makes sure that the research proceeds in a logical and cogent manner, making it easier to comprehend the study's design and results.

## CHAPTER TWO

## LITERATURE REVIEW

### 2.0. Introduction

Building upon the background and research objectives established in the previous chapter, this literature review chapter delves into the existing body of knowledge surrounding microfinance and its role in poverty reduction. The chapter combines perspectives from key sources to contextualize microfinance's impact and identify gaps in current research. The main sections include: 2.1 Overview of microfinance and its solutions, 2.2 Poverty reduction, 2.3 Microfinance solutions and poverty reduction, 2.4 Critique of existing literature, and 2.5 Lessons learned..

### 2.1 Overview of Microfinance and it's solutions

The growing enthusiasm surrounding the potential of microfinance as an intervention for reducing poverty is a clear indication that it is increasingly being recognized as a potent tool in the ongoing battle against poverty. The objective of the Microcredit Summit Campaign in 1997 was to significantly decrease the number of individuals living in poverty by fifty percent. Subsequently, by 2005, this target was further raised to encompass a staggering one billion people who earn less than one dollar per day, while also establishing a commitment to provide unhindered access to self-employment opportunities for one hundred million of the most destitute families by 2015. Notably, the United Nations designated the year 2005 as the International Microcredit Year, effectively amplifying the importance of microfinance in the global effort to eradicate poverty (Latifee, 2006).

As emphasized by Leach & Sitaram (2002), the concept of microfinance serves as a potent and effective mechanism to provide banking services to those who are traditionally considered "unbankable," thus making critical financial services accessible to millions of individuals who have been excluded from the realm of traditional banking due to their inability to provide sufficient collateral. Microfinance encompasses a wide array of financial services that have been specifically designed to cater to the diverse and unique needs of the underprivileged population, thereby not only safeguarding them from the adverse effects of income fluctuations but also actively promoting and enhancing their overall livelihoods. In this regard, it is crucial to acknowledge the significant role played by Microfinance Institutions (MFIs) in bridging the gap between the financial needs of the poor and the formal banking sector, especially considering the fact that this particular segment of society is typically excluded from the conventional banking system due to their inability to provide the necessary collateral, as highlighted by Matovu (2006). The absence of collateral from the impoverished population consequently results in their systematic exclusion from the conventional financial systems that are reliant on such security measures. Furthermore, the inherent complexities and expenses associated with dealing with a large number of small-scale and often illiterate borrowers create significant obstacles for traditional banks. However, Microfinance Institutions have managed to overcome these barriers through innovative approaches, such as the implementation of group lending systems and the establishment of regular savings schemes, thus ensuring the provision of financial services to those who need it the most.

The scholarly publications authored by Schreiner (2003) and Armendariz and Morduch (2010) lay the necessary groundwork for comprehending the intricate nature of microfinance, offering in-depth analyses of the diverse economic dimensions and fundamental principles that underlie the operations of microfinance institutions. These institutions, commonly known as MFIs, provide a diverse range of financial instruments aimed at catering to the specific needs of clients, including micro-credit, micro-savings, micro-insurance, and money transfer services. Micro-credit, which was first pioneered by renowned establishments such as Grameen Bank, plays a pivotal role in facilitating the provision of small-scale loans to individuals with low income, thereby empowering them to actively engage in income-generating activities and entrepreneurial endeavours. Moreover, the implementation of micro-savings programs significantly contributes to fostering financial stability and resilience among individuals, granting them the ability to save and accumulate funds for future use. Furthermore, micro-insurance schemes, as eloquently articulated by Churchill (2002), effectively mitigate the various risks associated with health and agriculture, thereby safeguarding the financial well-being of those who find themselves impoverished. Lastly, the provision of money transfer services serves as a crucial lifeline for families with low income, as it enables them to receive remittances that directly connect them to valuable economic opportunities.

Rutherford's (2000) ethnographic study entitled "The Poor and Their Money" provides a comprehensive analysis of the significant influence of microfinance on the promotion of financial inclusivity and empowerment of individuals with low incomes. Through an in-depth examination of the everyday experiences of impoverished individuals, Rutherford effectively illustrates how microfinance interventions have played a crucial role in enabling these individuals to develop a strong sense of control and agency over their financial circumstances. In addition to the provision of financial services, microfinance initiatives also actively cultivate a culture of self-reliance and entrepreneurialism within marginalized communities. This combination of insights not only sheds light on the powerful transformative effects of microfinance, but also underscores its ability to facilitate the attainment of financial independence and foster entrepreneurial pursuits among those who have traditionally been neglected or underserved by mainstream financial systems.

Microfinance Institutions (MFIs) are financial entities that specialize in providing services to the impoverished population, a demographic that is typically excluded from the formal banking system due to the absence of collateral, as observed by Murdoch (2000). The reason behind the limited access to credit for this demographic lies in the fact that the poor are unable to offer any form of collateral to conventional financial institutions. Consequently, the poor resort to alternative means of financial support, such as money lenders or turning to their social network comprised of friends and family. However, in an effort to circumvent these barriers, MFIs have implemented innovative strategies like group lending and regular savings schemes. These measures aim to address the complexities and high costs associated with dealing with a large number of small-scale borrowers who often lack literacy skills.

During the 1990s, there was a notable increase in the prominence of savings within the agenda of the microfinance community. Previously, microfinance institutions (MFIs) had not placed as much importance on savings compared to credit. However, recent studies have highlighted the significance of savings by referring to it as the "forgotten half of microfinance." This period also saw the implementation of collateral systems or compulsory savings, which involved extracting savings from clients in order to provide security for MFIs. In contrast to the commonly held belief that the poor are unable to save, there has actually been a substantial demand for saving facilities, often surpassing the demand for credit. Savings play a critical role in the strategies of poor households, particularly for the most impoverished individuals. For them, having a secure deposit for saving is often more beneficial than relying solely on microcredit. This is because the effective utilization of loans requires certain potentials and working capabilities that the poorest individuals often cannot guarantee. The financial stability of vulnerable households is threatened by an unstable foundation created by uncertain and irregular income, as well as high and unexpected expenses. In his work, Robinson (2001) emphasizes that savings serve four main purposes for the poor: providing insurance against emergency situations such as old age, loss of income, and unexpected investment opportunities; serving as a stock to equalize the irregular income, especially for farmers whose incomes fluctuate with seasonal cycles; enabling savings for social and religious obligations such as weddings and village functions; and facilitating savings for future long-term investments.

### 2.2. Poverty reduction

In the contemporary context, the topic of poverty and its alleviation has garnered unparalleled attention and focus, both nationally and internationally. The concept of "the poor" has undergone a transformation and refinement across various time periods and perspectives. During the period of subsidized agricultural credit spanning from the 1950s to the 1970s, the impoverished were predominantly perceived as small-scale or marginalized male farmers, with the prevailing notion that their economic hardships could be mitigated through the provision of credit, leading to enhanced productivity. Subsequently, in the 1980s to 1995, the spotlight shifted towards predominantly female micro-entrepreneurs lacking significant assets to utilize as collateral. More recently, the understanding of poverty has expanded to encompass a broader spectrum of vulnerable households, characterized by multifaceted livelihoods and diverse needs (Malcolm, 2003). Drawing upon Brody et al's research (2005), Kimenyi et al assert that the poor represent a heterogeneous group, characterized by a range of livelihood requirements and potential, which undergo changes over time due to factors such as the life cycle, emerging opportunities, and external shocks. However, it is pertinent to acknowledge that financial institutions are incapable of catering to the entire spectrum of the impoverished population, and those individuals who find themselves in destitution, suffering from food deficits and existing at the lowest echelons of poverty, are often deemed ineligible for financial services even when applying the standards set by microfinance institutions (Kimenyi et al, 1998).

Montgomery and Weiss (2005) propose a relatively straightforward differentiation within the class of individuals classified as "the poor" based on the duration of their impoverished state. Specifically, they argue that there exist two distinct subgroups: the long-term poor, commonly referred to as the "chronic poor," and the transitory poor, who experience a temporary descent into poverty as a consequence of adverse shocks. Expanding upon the notion of chronic poverty, it becomes evident that there are further divisions within this subgroup, namely the destitute. The destitute are individuals who find themselves in a state of physical or social disadvantage to such an extent that they are perpetually trapped within the confines of poverty, unless they receive assistance from welfare programs. In contrast, the larger portion of the chronic poor can attribute their impoverished state to a dearth of assets and opportunities. Furthermore, even within the non-destitute category, it is feasible to discern discrepancies based on the severity of poverty, with those significantly below the poverty line being designated as the "core poor."

Poverty, in its general sense, refers to a state of destitution and insufficiency, as stated by various authors, which encompasses the condition of lacking adequate resources to fulfil essential human needs (Morduch, 1998). It is a complex and multifaceted phenomenon that encompasses not only the aspect of income but also non-income aspects of human development, a viewpoint that is shared by the Poverty Reduction Strategy Paper (PRSP, 2000). The most comprehensive conceptualization of poverty perceives it as a state of deprivation that hinders the attainment of a decent human life, stemming from a dearth of resources and capabilities to obtain basic necessities. This deprivation is manifested through a web of interconnected parameters such as malnutrition, lack of education, prevalence of diseases, unsanitary living conditions, high rates of mortality, low life expectancy, meagre income, inadequate housing, insufficient clothing, limited utilization of technology, environmental degradation, unemployment, migration from rural to urban areas, and ineffective communication (URT, 1999).

The elimination of poverty, which has emerged as a significant concern within the framework of the Millennium Development Goals (MDGs), has garnered substantial attention from individuals and organizations invested in the development of developing nations (Nalunkuuma, 2006). Microfinance, one of the prominent methodologies employed by the donor community, has played a pivotal role in facilitating financial accessibility for the impoverished (Nalunkuuma, 2006). The increasing number of microfinance organizations being funded by donor agencies and governments in developing countries underscores the recognition of microfinance as a potential solution to combat poverty (Lont and Hospes, 2004). The scarcity of savings and capital poses a formidable challenge for individuals in poverty who aspire to engage in both agricultural and non-agricultural sectors, hindering their ability to become self-employed and undertake activities that generate substantial income (Nalunkuuma, 2006). The provision of credit appears to be a viable avenue for creating self-employment opportunities for the poor (Nalunkuuma, 2006). However, the absence of physical collateral renders institutional credit inaccessible for the impoverished (Khandker, 1998). Concurrently, informal lenders in numerous developing nations often impose exorbitant interest rates, thereby impeding impoverished households from investing in income-generating endeavours (Khandker, 1998). According to Guerin and Palier (2005), the primary objective of microfinance is to offer financial assistance to marginalized individuals who find themselves on the fringes of society. These individuals are often overwhelmed by the bureaucratic formalities and procedures of the formal sector and are too vulnerable to help themselves, thus being excluded from the mainstream (Guerin and Palier, 2005). Consequently, microfinance initiatives are aimed at empowering the beneficiary groups, ensuring the sustainability of their income streams and fostering economic independence (Guerin and Palier, 2005). Nalunkuuma (2006) asserts that poverty reduction encompasses a multifaceted process that seeks to boost income levels and enhance economic stability to facilitate the satisfaction of basic needs and the provision of essential services. This process places a strong emphasis on the development of a diverse range of assets to mitigate the vulnerability of households to various forms of shocks, including those of a physical, social, and economic nature (Nalunkuuma, 2006). Johnson and Rogaly (1997) further accentuate the notion that poverty can also be perceived as the susceptibility to downward fluctuations in income, thereby underscoring the fragility of financial stability for individuals living in poverty (Johnson and Rogaly, 1997).

### 2.3 Microfinance solutions and poverty reduction

Microfinance institutions (MFIs) play an incredibly significant and pivotal role in the provision of reliable and affordable financial services to individuals who are living in poverty. Their main objective is to provide credit at low-cost and with minimal requirements, enabling those who are impoverished and may not meet the conventional banking standards to have access to these services. These institutions have the ability to streamline and simplify processes, thereby reducing bureaucratic obstacles for individuals living in poverty who are seeking micro-credit. The overall aim of MFIs is to empower the poor, enabling them to break free from the cycle of poverty and preventing those who have managed to rise above the poverty line from slipping back into it (QoriniIwan, 2005).

Similarly, the Consultative Group to Assist the Poor (CGAP) places great emphasis on the importance of access to financial services for individuals who are living in poverty. It highlights that having access to financial services can provide poor individuals with the means to take control of their lives. By having access to these services, poor households are able to transition from mere survival on a day-to-day basis to planning for the future. This includes acquiring physical and financial assets, as well as investing in better nutrition, improved living conditions, and the health and education of their children (CGAP, 2006).

In essence, MFIs act as a lifeline for individuals who are trapped in the vicious cycle of poverty. Through their provision of reliable and affordable financial services, these institutions offer hope and opportunities for those who are marginalized and financially excluded. By offering cheap credit with minimal requirements, MFIs make it possible for impoverished clients to have access to financial resources that were previously out of reach. This access to credit opens up doors and possibilities for individuals to improve their lives and break free from the chains of poverty.

The streamlining of processes by MFIs is a crucial aspect of their success in reaching and assisting the poor. By reducing bureaucratic hurdles, these institutions are able to make the process of accessing micro-credit much simpler and more efficient. This is essential for individuals living in poverty, who often face numerous challenges and obstacles in their daily lives. By removing unnecessary barriers, MFIs are able to provide a more inclusive and accessible financial system for those who need it the most.

The ultimate goal of MFIs is to empower the poor and enable them to escape poverty. This goes beyond simply providing access to financial services. It involves equipping individuals with the tools and resources they need to improve their lives and secure a better future for themselves and their families. This can include providing financial education and training, as well as offering additional support services such as business development and mentorship programs. By taking a holistic approach to poverty alleviation, MFIs are able to address the various challenges and barriers that individuals face on their journey out of poverty.

Advocates for microfinance posit the argument that enhancing the availability of credit facilitates the impoverished in financing productive endeavours, thereby leading to an augmentation in income. This assertion holds particular pertinence for the non-indigent chronically poor, as it affords them a viable path towards escaping the clutches of poverty. In the case of the transitory poor, who find themselves susceptible to fluctuations in income, microfinance presents the possibility of procuring credit during periods of exigency, while also providing them with opportunities for regular savings. This, in turn, contributes to the phenomenon known as "consumption smoothing," which serves the purpose of preventing precipitous declines in familial expenditures by tapping into credit or savings during times of economic hardship (Montgomery and Weiss, 2005). Nevertheless, the impact and role of microfinance and micro-credit programs in the context of poverty reduction remain contentious topics that provoke ongoing debate. Advocates of these initiatives firmly believe in the potency of credit accessibility as a means of augmenting income levels, bolstering household employment, and ultimately alleviating poverty. They argue that credit acts as a catalyst, enabling the destitute to surmount liquidity constraints and undertake investments that serve to perpetuate the productive capacity of impoverished households (Okurut et al., 2004).

Contrary perspectives propose that the positive impact anticipated from microfinance may not materialize as expected. Certain individuals argue that instead of increasing income, microfinance tends to stabilize it, and instead of creating jobs, it merely preserves existing ones (Burger, 1989). Various studies have yielded mixed results, with some indicating minimal or even negative effects on impoverished individuals compared to control groups (Hulme and Mosley, 1996; Mosley and Hulme, 1998; Diane and Zeller, 2001).

Detractors, such as Johnson and Rogaly (1997), posit that the most destitute borrowers may actually fare worse due to access to credit, as it exposes them to higher risks. Some studies, which employ gender empowerment as a measure, suggest that microcredit can potentially have an adverse impact on the empowerment of women (Goetz and Gupta, 1994). The extent of control that women wield over loans may differ significantly, with some exerting little to no influence over how the loan funds are utilized (Kabeer, 2000).

In light of these conflicting viewpoints, it becomes imperative to delve deeper into the complexities of microfinance and its effects. While some argue that it stabilizes income, it is important to consider the potential consequences of a lack of upward mobility for individuals and communities. Additionally, the preservation of existing jobs may hinder the creation of new opportunities and prevent economic growth. The mixed results from various studies highlight the need for a nuanced understanding of the factors that influence the impact of microfinance on the poor.

Critics raise valid concerns regarding the potential risks faced by the most vulnerable borrowers. Access to credit can be a double-edged sword, as it may enhance financial inclusion but also expose individuals to potential debt traps. The negative impact on women's empowerment, as suggested by certain studies, raises questions about the effectiveness of microcredit programs in addressing gender inequalities. The varying levels of control that women have over loan usage underscore the importance of ensuring that microfinance initiatives are designed with a gender-sensitive approach.

The works of Khandker in 1998 and Pitt and Khandker in 1998 have provided valuable insights into the positive effects of microfinance on poverty alleviation. These studies have shed light on the potential of microfinance to enhance economic conditions among low-income populations. However, a different perspective emerges from the research conducted by Banerjee, Duflo, Glennerster, and Kinnan in 2015. Their views challenge the conventional narrative by raising critical questions about the effectiveness of microfinance in targeting the poorest and its long-term sustainability in poverty reduction efforts. In their studies, these researchers have highlighted the need for a more nuanced evaluation of the effectiveness of microfinance in achieving sustainable poverty reduction.

In a separate study conducted by Nudamatiya and Shehu in 2010, a survey was conducted in Adamawa state in Nigeria to assess the impact of microfinance institutions on the livelihoods of rural women. The findings of this study revealed that access to microfinance institutions had a positive impact on the income and economic well-being of rural women. Moreover, it was found that access to microfinance institutions also led to an increase in their participation in economic activities. These results further underscore the potential of microfinance in improving the socio-economic conditions of marginalized groups, such as rural women.

Christensson's (2017) investigation delves into the intricate relationship between access to microfinance institutions and State-level poverty reduction in Nigeria. In order to conduct this research, the author utilized a panel dataset spanning over a decade, from 2004 to 2014, encompassing 36 Nigerian states. The results of the study reveal a noteworthy positive effect of microfinance on poverty reduction in Nigeria. Moreover, the findings indicate that microfinance proves to be more efficacious in mitigating poverty in states where financial inclusion levels are higher. The study conducted by Nahamya and Wilfred (2013) explores the impact of microfinance service delivery on the growth of Small and Medium Enterprises (SMEs) in eastern Uganda. By examining various facets of microfinance services, such as access to credit, savings, and business development services, the researchers uncover a significant positive influence on the growth of SMEs in Uganda. Additionally, the study illuminates that the provision of business development services in conjunction with credit holds greater effectiveness in fostering SME growth than credit alone. While some studies have highlighted the positive implications of microfinance programs on income and poverty reduction, there exists a body of research that has discovered either negative or insignificant effects. For instance, Angelucci, Karlan, and Zinman's (2013) study scrutinizes a microcredit program in north-central Sonora, Mexico, wherein it is observed that the program failed to yield a positive impact on borrower income, despite the fact that the high-income group of borrowers was weaker than other borrowers. Similarly, Sayvaya's (2012) study on a microfinance program implemented in southern Laos and northeastern Thailand also uncovers an insignificant impact on member incomes. Morduch (2018) conducted a study to examine the impact of microfinance programs in Bangladesh on income and poverty reduction. Interestingly, the findings of this study revealed no significant effects of these programs on either income or poverty reduction. This implies that the positive outcomes observed in some contexts may not be universally applicable to all situations. Similarly, Kongpasa and Mieno (2014) investigated the effects of Savings and Credit Unions (SCUs) in the Vientiane vicinity. Their research shed light on the fact that these programs did not have a clear impact on the total household incomes in that particular area. These contrasting findings further emphasize the complexity of the relationship between microfinance programs and income/poverty reduction.

Despite the controversies surrounding the effectiveness of microfinance programs, the industry is continuously striving for innovation to reach a broader category of poor people, including those who are considered the poorest of the poor. Mayoux (2001) highlights ongoing efforts in the microfinance industry to expand its reach and cater to the needs of the most vulnerable populations. To achieve this, various strategies are being employed, such as the use of group dynamics within microfinance initiatives. Simanowitz (2003) notes that the utilization of groups in microfinance can vary, with some programs leveraging them solely for creating peer group pressure, while others view them as vehicles for empowerment.

## 2.4. Critique of existing literature

It is noteworthy that no research has been conducted within the local context thus creating a void in the literature canon for both local and regional examinations. The geographical proximity of the completed studies is limited solely to other regions of Africa, exemplified by the works of Abiodun (2017) and Baker and Sinkula (2002) conducted in Nigeria. Consequently, this geographical disparity further accentuates the lack of comprehensive studies within the local area. Such circumstances render it challenging to arrive at a definitive conclusion based on the limited body of research conducted thus far, hence highlighting the urgent necessity for additional studies of similar nature to validate the findings put forth by the authors of the aforementioned studies.

Among the empirical studies appraised, it is important to note that only the works of Chitturi, Londono, and Amezquita (2019), Biduri (2015), Heineck (2007), Abiodun (2017), and Sinkula (2002) employed mixed research approaches, whereas the remaining studies predominantly relied on qualitative methodologies. Consequently, most of the research conducted, despite reporting an influence of product packaging on sales, failed to elucidate the exact nature of this effect, including its significance and directionality. The significance of specifying the extent of packaging's impact on sales lies in its ability to enhance marketers' comprehension of the precise manner in which each packaging element affects performance. This understanding, in turn, facilitates the development of appropriate packaging styles tailored to each individual product. Regrettably, none of the reviewed studies managed to identify the specific product packaging elements that exert the greatest influence on sales. Consequently, marketers are faced with the challenge of discerning which elements necessitate greater attention and hold significant sway over consumer behaviour. This glaring gap in the literature underscores the imperative for further investigation in this domain.

## 2.5 Lessons learnt.

The culmination of this research endeavour embodies profound insights that have been gleaned from various methodological approaches and the consequential outcomes, thereby signifying a critical phase in the process of comprehending the study's implications. When reflecting on the methodology employed, it becomes evident that the study resonates with a mixed research approach that effectively amalgamated both quantitative and qualitative methods, thus resulting in the generation of multifaceted perspectives. This intentional amalgamation of research methods allowed for a comprehensive exploration of the nuanced relationships that exist between microfinance solutions and poverty reduction. The findings that were unearthed during the course of this study stand as beacons, illuminating the path towards a more comprehensive comprehension of poverty dynamics and the efficacy of microfinance solutions.

It is noteworthy to highlight that the empirical evidence, which was drawn from both localized and international studies, echoed the dichotomy in the effectiveness of microfinance in poverty reduction. On one hand, there were studies such as Nalunkuuma (2006), Christensson (2017), and Nahamya & Wilfred (2013) that highlighted the positive impact of microfinance on income augmentation and economic stability. On the other hand, there were studies conducted by Angelucci, Karlan, and Zinman (2013), Sayvaya (2012), Morduch (2018), and Kongpasa and Mieno (2014) that presented inconclusive or negative impacts of microfinance interventions. The presence of these variations beckons further investigation, thereby suggesting the existence of nuanced contextual determinants that influence the success of microfinance interventions.

Additionally, it is important to acknowledge that this study contributes significantly to the local literature by addressing the paucity of research in the specific context of Zambia. As the first empirical research conducted in this locale, this study not only fills a critical gap in knowledge but also offers invaluable insights and implications for local policy and practice. The absence of local studies had left a void in comprehending the contextual effectiveness of microfinance, and it was this void that this research sought to fill. Moreover, the deliberate employment of mixed research approaches significantly enhances the depth and reliability of the study's outcomes.

This research serves as a foundational framework for future explorations, emphasizing the need for a more nuanced evaluation of microfinance initiatives in local contexts. The lessons learnt from this literature emphasize the complexities that are inherently intertwined with poverty dynamics and underscore the intricate relationship between microfinance solutions and poverty reduction. These lessons, in turn, guide the call for further research that delves even deeper into the contextual factors that influence the effectiveness of microfinance in combating poverty. By doing so, this paves the way for the development of more robust and localized interventions that can make a tangible difference in the lives of individuals affected by poverty.

**2.6 Chapter summary**

This chapter delved into the intricacies of microfinance and its pivotal role in poverty reduction. It commenced by providing an outline of the extensive range of financial services proffered by microfinance institutions, thereby shedding light on their indispensable contribution in furnishing indispensable financial tools to individuals who are excluded from the traditional banking systems due to their lack of collateral. Furthermore, the chapter elucidated the foundational works by Schreiner and Armendariz and Morduch, thereby illuminating the economic dimensions of microfinance and the diverse spectrum of services it encompasses.

In addition to this, it furnished a comprehensive overview of poverty, incorporating definitions from various authors to underscore its multifaceted nature. The different parameters of poverty were meticulously examined, thereby showcasing its far-reaching impact on various facets of human existence. The section dedicated to microfinance solutions and poverty reduction critically analyzed conflicting perspectives from different studies, thereby underscoring the imperative need for a more nuanced evaluation of the efficacy of microfinance in mitigating poverty.

Moreover, the chapter also reflected upon the existing literature's critique, duly noting the dearth of in-depth research conducted in the local context, thereby underscoring the significance of this study as one of the pioneering empirical research endeavors undertaken locally. It duly accentuated the diverse impacts of microfinance interventions on poverty reduction, while simultaneously recognizing the intricate relationship between microfinance initiatives and poverty dynamics. Finally, it emphasized the indispensability of further localized research in order to fortify understanding and develop more efficacious interventions.

# CHAPTER THREE

# THEORETICAL AND CONCEPTUAL FRAMWORK

## 3.0 Introduction

This chapter Three introduces the theoretical and conceptual framework that underpins this study, presenting a foundation for the subsequent analysis of microfinance's impact on poverty reduction.

## 3.1 Theoretical framework

The theoretical framework for this study will be based on the Theory of Empowerment, Financial Systems Approach and Poverty concern theory.

### 3.3.1 Theory of Empowerment

The Theory of Empowerment, which was introduced in 1983 by Julian Rappaport and Edward Seidman, is a concept based on power dynamics and how individuals and groups can attain the ability to control their own lives and make autonomous decisions. This theory posits that empowerment entails a process wherein individuals acquire knowledge, skills, and resources that enable them to assume control over their lives and reach their desired objectives. In the context of this study, the Theory of Empowerment becomes particularly relevant as it underscores the significance of empowering individuals and communities to foster sustainable development. By providing individuals with access to financial resources and opportunities, they can enhance their financial circumstances, leading to a reduction in poverty levels.

The Theory of Empowerment's relevance to this study lies in its highlighting of the crucial nature of empowering both individuals and communities as a means to achieve sustainable development. Through the provision of financial access and resources, individuals can acquire the necessary knowledge and skills to take charge of their lives and enhance their financial situations. Ultimately, this will result in a reduction in poverty rates. Furthermore, the theory places emphasis on the role of community participation and engagement in achieving empowerment. This aspect is particularly valuable when it comes to designing effective interventions and programs aimed at fostering empowerment. By involving the community in decision-making processes and encouraging their active involvement, interventions can be tailored to meet the specific needs and aspirations of the individuals and communities being targeted.

Generally, the Theory of Empowerment serves as a valuable framework for understanding and promoting sustainable development. By empowering individuals through financial access, knowledge, and skills, they can take control of their lives and work towards achieving their goals. Additionally, by recognizing the importance of community participation, interventions can be designed to address the unique challenges and aspirations of different communities. By incorporating these principles into development efforts, it is possible to create lasting positive change and contribute to the overall well-being of individuals and communities.

### 3.1.2 Financial Systems Approach

The introduction of the Financial Systems Approach by Robert C. Merton in 1992 marked a significant milestone in the understanding of the relationship between financial systems and economic growth and development. This approach, which is grounded in the recognition of the pivotal role played by financial systems, posits that these systems are comprised of a multitude of components, including financial institutions, markets, and instruments. Moreover, it emphasizes the intricate interactions between these components, culminating in the creation of a complex financial system. Consequently, the Financial Systems Approach assumes great relevance in the context of this study, as it furnishes scholars and researchers with a comprehensive framework for comprehending how financial systems can be effectively leveraged to foster economic growth and alleviate poverty.

By meticulously scrutinizing the diverse constituents of financial systems—namely financial institutions, markets, and instruments—the Financial Systems Approach augments our capacity to discern the strengths and weaknesses inherent in existing financial systems. This enhanced understanding, in turn, facilitates the formulation of targeted interventions that effectively address the gaps and deficiencies within the system. Furthermore, the Financial Systems Approach proves invaluable in unraveling the intricate interdependencies between financial systems and other salient factors that exert an indelible influence on economic development, such as the social and political institutions that govern a given society.

In essence, the Financial Systems Approach serves as an indispensable analytical tool, enabling researchers to delve into the intricate mechanisms underlying financial systems and their profound impact on economic growth and poverty reduction. By adopting this approach, scholars are better positioned to unravel the complex dynamics at play within financial systems and to comprehend the multifaceted ways in which these systems interact with and shape broader socio-economic structures. Consequently, the Financial Systems Approach holds the potential to revolutionize our understanding of the intricate relationship between financial systems and economic development, ultimately paving the way for more targeted and effective interventions that promote sustainable growth and poverty reduction. All in all, the Financial Systems Approach represents a significant advancement in our understanding of the role of financial systems in fostering economic growth and alleviating poverty.

### 3.1.3 Poverty concern theory

The Poverty Concern Theory, which was introduced by the esteemed economist Amartya Sen in 1976, brings forth a groundbreaking perspective on poverty that transcends the conventional understanding of this dire socio-economic condition. Rather than conceiving poverty solely as the absence of income or resources, Sen's theory posits that poverty is a multifaceted phenomenon that encompasses not only material deprivation but also limited access to fundamental goods and services essential for human well-being, such as healthcare, education, and sanitation. This paradigm-shifting perspective underscores the criticality of adopting a multidimensional approach when comprehending and addressing poverty.

In the context of the present study, the Poverty Concern Theory assumes paramount significance as it underscores the imperative of tackling the underlying causes of poverty, including the scarcity of financial resources. By recognizing the multidimensional nature of poverty and the intricate web of factors that perpetuate its existence, this theory provides invaluable insights that can inform the design and implementation of interventions aimed at combating poverty holistically. Moreover, it fosters an understanding that poverty is not merely an absence of income or resources, but rather a systemic issue that manifests in the form of limited access to essential goods and services, such as healthcare and education.

In light of this, the Poverty Concern Theory serves as a compass guiding the formulation of interventions that address the various dimensions of poverty concurrently. By acknowledging that poverty encompasses not only economic deprivation but also the inability to access basic necessities, policymakers and practitioners can fashion strategies that tackle multiple facets of poverty simultaneously. Consequently, this comprehensive approach has the potential to yield more profound and sustainable outcomes in the alleviation of poverty.

Furthermore, the Poverty Concern Theory provides a framework for discerning the root causes of poverty, which often extend beyond individual circumstances to encompass broader social and political inequalities. By delving into the underlying systemic issues that exacerbate poverty, such as unequal distribution of resources and power imbalances, this theory unveils the intricate interplay between socio-political structures and poverty. Armed with this understanding, policymakers and practitioners can devise interventions that target the structural causes of poverty with precision and efficacy.

In essence, the Poverty Concern Theory introduced by Amartya Sen in 1976 represents a paradigm shift in the understanding of poverty. Its emphasis on the multidimensional nature of poverty and the need to address its underlying causes has profound implications for the formulation of interventions aimed at poverty alleviation. By recognizing that poverty encompasses not only the lack of income or resources but also the inability to access basic goods and services, such as healthcare and education, this theory paves the way for interventions that tackle poverty holistically. Moreover, it sheds light on the root causes of poverty, such as social and political inequalities, which can inform the design of interventions that target these underlying issues. In this way, the Poverty

Concern Theory serves as a crucial tool in the fight against poverty and a catalyst for transformative change in the lives of the impoverished.

### 3.2 Conceptual Framework

The conceptual framework elucidates the intricate relationship that exists between the independent variables, namely microfinance saving services (X3), microfinance loans (X2), and microfinance financial advice (X1), and the dependent variable, poverty reduction (Y). This framework posits the notion that access to microfinance services has the potential to significantly contribute to poverty reduction by ameliorating the financial circumstances of individuals and households belonging to low-income strata.

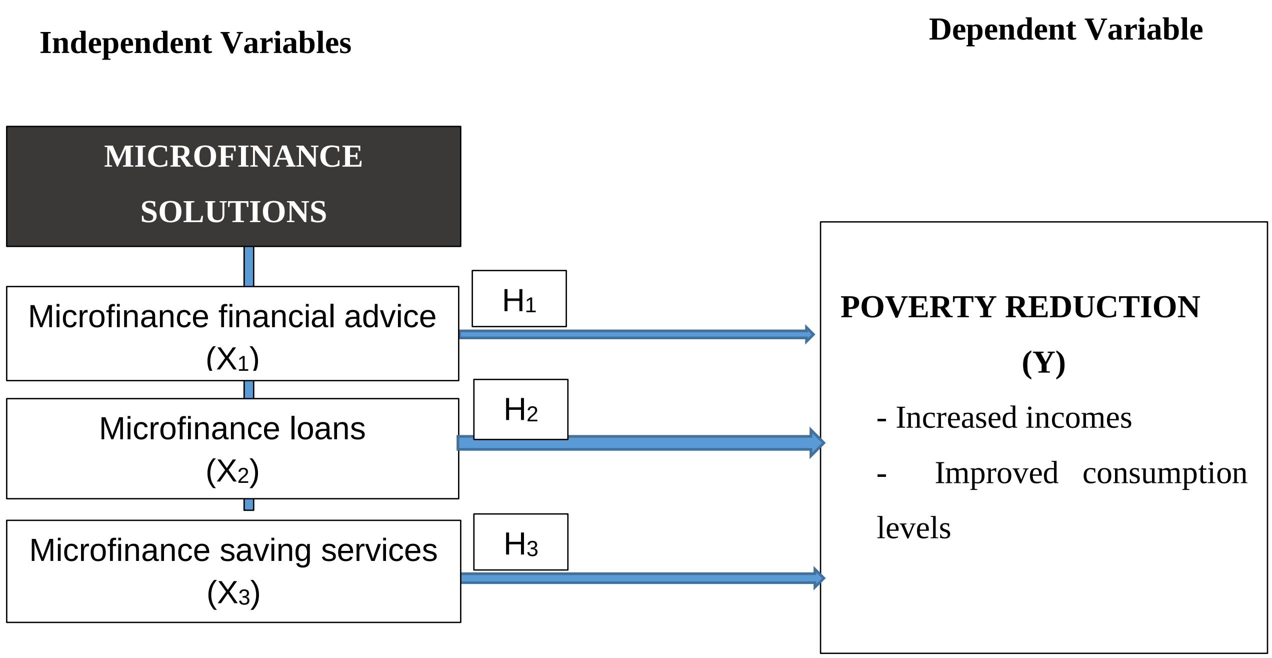
Microfinance saving services (X3) encompass a range of offerings including the provision of savings accounts and supplementary services such as financial education and training, which aim to assist clients in managing their finances and augmenting their savings. It is anticipated that this variable will have a positive impact on poverty reduction, primarily due to its capacity to enable clients to accumulate savings that can be utilized during emergencies, future expenses, and business investments, thereby fostering financial stability and resilience.

Microfinance loans (X2) pertain to the provision of credit or loans to individuals and households with limited access to formal financial institutions. This variable is projected to exert a favorable influence on poverty reduction as it enables clients to initiate or expand small businesses, thereby augmenting their incomes and enhancing their consumption levels. By facilitating access to financial resources that would have otherwise been unavailable, microfinance loans have the potential to empower individuals and uplift them from the clutches of poverty.

Microfinance financial advice (X1) denotes the provision of guidance and counseling pertaining to financial matters, which aids clients in making informed decisions regarding their finances. The positive impact of this variable on poverty reduction is anticipated to stem from its ability to assist clients in managing their finances more effectively, thereby enabling them to avoid financial pitfalls and make sound financial choices. By providing individuals with the knowledge and skills required to navigate the complexities of the financial domain, microfinance financial advice empowers them to achieve economic stability and mitigate the adverse effects of poverty.

The dependent variable, poverty reduction (Y), is gauged through three indicators, namely increased incomes, improved consumption levels, and business investment/expansion. Poverty reduction is expected to witness an upward trajectory as clients of microfinance services experience enhancements in their financial situation, such as augmented incomes, improved consumption levels, and business investment/expansion. By leveraging the opportunities presented by microfinance services, individuals and households are able to transcend the constraints imposed by poverty and pave the path towards greater economic well-being and prosperity.

Figure 2.1: Conceptual framework




**Source:** Author (2023)

### 3.3 Chapter Summary

This chapter delves into the foundational theories that underlie the exploration of microfinance's role in poverty reduction in this study. Within this chapter, the reader is introduced to three key theoretical frameworks that serve as pillars for this research: the

Theory of Empowerment, the Financial Systems Approach, and the Poverty Concern Theory. The Theory of Empowerment, which was pioneered by Rappaport and Seidman, places great emphasis on the process of acquiring knowledge, skills, and resources in order to empower individuals and communities, a process that is deemed crucial for sustainable development. Furthermore, this framework highlights the integral role of community participation in ensuring the effectiveness of poverty reduction programs.

In addition to the Theory of Empowerment, the Financial Systems Approach, introduced by Merton, explores the interplay between financial institutions, markets, and instruments, shedding light on their impact on economic growth and poverty reduction. This framework underscores the significance of financial systems in tackling poverty. Lastly, the Poverty Concern Theory, proposed by Sen, recognizes poverty as a multidimensional issue that extends beyond mere income scarcity. Sen's theory emphasizes the importance of access to basic services in addressing poverty comprehensively.

Moreover, this chapter also presents a comprehensive conceptual framework that elucidates the relationship between various independent variables, namely microfinance saving services, microfinance loans, and microfinance financial advice, and the dependent variable of poverty reduction. The conceptual framework posits that these microfinance services play a crucial role in alleviating poverty by improving the financial circumstances of low-income individuals and households. For instance, microfinance saving services facilitate the accumulation of savings, while microfinance loans provide support for business initiatives. Additionally, microfinance financial advice aids in making informed financial decisions. Collectively, these services contribute to improved financial conditions and, ultimately, poverty reduction.

# CHAPTER FOUR

# METHODOLOGY

## 4.0. Introduction

The theoretical underpinnings outlined in the literature review give way to the actual use of research methodologies in this portion of the study. After conducting a thorough literature review that encompassed classic works, seminal studies, recent developments, and the establishment of conceptual and theoretical frameworks, it is now imperative to engage in a discussion regarding the methodological approaches utilised in this investigation and the underlying analytical framework. This chapter acts as a link between the research's theoretical and empirical components.

## 4.1. Research approach

For this study, a mixed research strategy will be employed. To give a thorough grasp of the research subject, this methodology incorporates both qualitative and quantitative research approaches (Creswell and Clark, 2018). This method is useful for developing a comprehensive grasp of the study issue. It is possible to conduct a more thorough investigation of the topic by combining quantitative and qualitative data, which accommodates both detailed insights and numerical data. This hybrid strategy will be crucial in tackling the research problems from several perspectives and offering a more comprehensive framework for examination.

## 4.2. Research Design

A research design can be defined as a comprehensive and systematic blueprint that outlines the plan and structure for conducting an investigation or study with the aim of obtaining valuable insights and answers to research questions. It serves as a roadmap for researchers to effectively collect, measure, analyse, interpret, and report research data. The significance of a research design lies in its ability to enable researchers to integrate and organize various components of a study in a coherent and comprehensive manner, ensuring a thorough approach in addressing the research problem at hand. Within the realm of research, there exist diverse types of research designs that can be employed to suit specific studies. In the context of this particular study, the researcher has opted for an embedded design. This particular design is categorized as a mixed-methods design, whereby one dataset complements the primary dataset and assumes a supplementary role within the study (Creswell, Plano Clark, et al., 2003). The underlying principle driving the embedded design is the acknowledgement that a sole dataset may not suffice in sufficiently addressing the research questions at hand. As different research questions necessitate different approaches, it becomes imperative to utilize various types of data, tailored to address each specific question. This research design proves particularly beneficial in cases where both qualitative and quantitative data are required to answer research questions within a predominantly qualitative or quantitative study.

Moreover, the embedded design proves to be advantageous in instances where time and financial constraints hinder the collection of extensive data for both quantitative and qualitative research. In such scenarios, the design allows for prioritization of one type of data over the other. This strategic approach ensures that the research objectives are met within the given constraints, without compromising the overall quality and validity of the study. By leveraging the embedded design, researchers can effectively leverage the strengths of both qualitative and quantitative data, maximizing the insights gained from the research endeavour. This comprehensive and multifaceted approach not only enhances the depth and breadth of the study but also enriches the overall findings and conclusions drawn from the research. Therefore, the embedded design serves as a valuable tool in situations where a holistic understanding of the research problem can only be achieved through the integration of diverse data sources and methodologies. The flexibility and adaptability of this design make it an indispensable asset in the research landscape, enabling researchers to navigate complex research questions and challenges while ensuring the robustness and reliability of their findings.

### 4.3 Target population

Any collection of people, objects, or other things that provide the foundation for a measurement is referred to as a "population" (Ravikiran, 2020). The chosen microfinance companies and various Mtendere compound families that get the microfinance solutions will make up the research population. There were precisely 412 households available for the study at the time of data collection.

### 4.4 Sample Size

The Yamane formula, which offers an easy method to compute the sample size when the desired population is relatively small, will be used to estimate the sample size for this study (Yamane, 1967). N is the population, e is the degree of accuracy, and n is the sample size. The formula is as follows: n = N/(1+N(e)2). Based on a 95% confidence level and a 5% margin of error, the sample size will be determined.

$= 412/(1+412(0.05)^2)$

$= 200$

### 4.5 Sampling technique

The purposive method of sampling will be used as the sample methodology for this investigation. With this approach, the researchers can choose the sample according to particular standards pertaining to the study issue. The sample for this study will be chosen according to their socioeconomic condition and usage of microfinance solutions.

### 4.6 Source of data

The project will gather primary data from microfinance companies and recipient homes using surveys, interviews, and observations. In order to collect both quantitative and qualitative data, the questionnaire will include both closed-ended and open-ended questions. To help with the analysis and interpretation of the primary data, secondary data will also be gathered from pertinent books, articles, reports, and documents pertaining to the fight against poverty.

### 4.7 Model Specification

Linear regression analysis will be used in the study to influence of the study's independent variable on the dependent variable. This study's linear regression is as follows:

$$\mathrm{Y} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = Poverty reduction, $X_1$ = Microfinance loans, ($X_2$) = Microfinance financial advice and ($X_3$) = Microfinance saving services, $\beta_0$= Y-intercept of the line, $\beta_1$= (i = 1, 2, 3, 4, 5) are estimates of the coefficient, $\varepsilon$ = an error term

### 4.8 Data Analysis

The information gathered from primary and secondary sources will be analysed by the research study using both theme analysis and correlational analysis. The qualitative information gathered from interviews and open-ended survey questions will be examined using thematic analysis. The quantitative information gathered from the survey questionnaire's closed-ended questions will be analysed using correlational analysis. For the analysis, SPSS version 26 and Microsoft Excel 2016 will be used.

### 4.9 Validity Data

The first step in ensuring the authenticity of the data will be to conduct a pilot study. Prior to the real data collection, the pilot study will enable the researchers to test the survey questionnaire and make any required adjustments.

### 4.10 Data Reliability

Using SPSS, a reliability test will be carried out to guarantee the validity of the questionnaire utilised in this investigation. We'll compute the Cronbach alpha coefficient to assess how consistent the replies are.

### 4.11 Ethical considerations

The researchers will get ethical permission from the necessary authorities before performing the study. Before any data is collected, informed consent from each participant will be sought. Participants' confidentiality and privacy will be upheld, and no personal information will be shared without permission.

# CHAPTER FOUR

# PRESENTATION AND ANALYSIS OF RESULTS

## 4.0 Introduction

There are five main sections to this chapter. Section 4.1 of the report contains the demographic and background information of the respondents who participated in this survey. Section 4.2 covers the most common service that MFIs offer small company owners in Kanyama. The reliability evaluation is covered in the report's "Part 4.3" section. Section 4.4 covers descriptive statistics prior to section 4.5, which provides the inferential statistics. Out of the 412 questionnaires provided for the purpose of the study, only 200 were completed and returned.

## 4.1 Demographic and background Information

The purpose of this study section was to gather information about the demographics and background of the survey participants. The results are summarised in the table that follows.

**Table 4.1: Demographic and background Information**

| **Category** | **Frequency** | **Percent** |
|---|---|---|
| **Sex** | | |
| Male | 55 | 28 |
| Female | 145 | 72 |
| **Age (years)** | | |
| Below 35 | 120 | 60 |
| Above 35 | 80 | 40 |
| **Educational Qualification Level** | | |

| | | |
|---|---|---|
| Grade Twelve Certificate | 85 | 42.5 |
| College Diploma | 75 | 37.5 |
| Bachelor’s Degree | 35 | 17.5 |
| Master’s Degree | 5 | 2.5 |

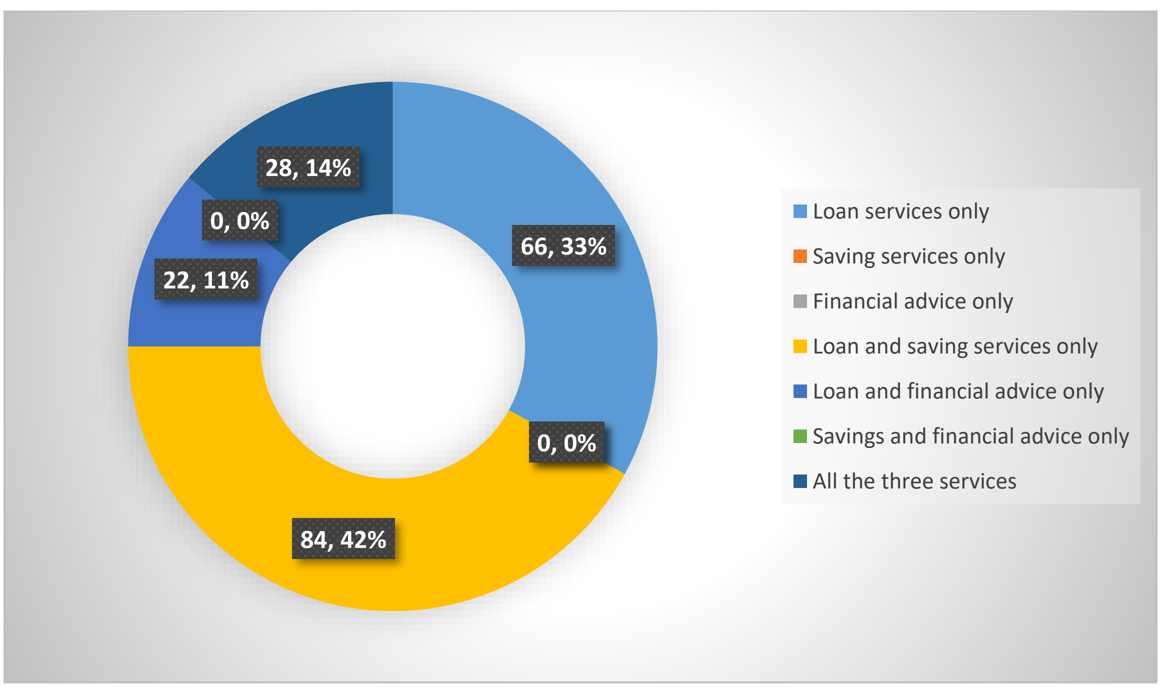
**Source: Author (2024)**

A 28% participation rate for males and a 72% participation rate for women is shown by the examination of 200 replies. Furthermore, 40% of respondents were older than 35, and 60% of respondents were younger than that. In terms of qualifications, 42.5% had certificates for grade twelve, 37.5% had college diplomas, 17.5% had bachelor's degrees, and 2.5% had master's degrees.

### 4.2 Common MFI services

Participants were questioned about the main service they get from the MFIs with which they were associated. Figure 4.1 shows how the answers were distributed:

**Figure 4.1: Common MFI services**




**Source: Author (2024)**

Specifically, 84 respondents (42%) stated that their MFIs only provide loans and savings services, 66 respondents (33%) that they only provide loan services, 28 respondents (14%) that they provide all three services (loans, savings, and financial advice), and 22 respondents (11%) that they provide loan and financial services only.

### 4.3 Reliability Test

The reliability test was conducted on the research instruments' statements before a descriptive analysis of the data in this part.

**Table 4.2: Reliability test**

| Variable | Cronbach's Alpha | N |
|---|---|---|
| Financial advice | 0.791 | 4 |
| Loans | 0.724 | 4 |
| Savings | 0.712 | 4 |

**Source: Author (2024)**

Because the questionnaire's microfinance statement questions are supported by a wealth of data, they may be trusted. This is as a result of the Cronbach alpha computation having a value greater than 0.70. A Cronbach alpha value of 0.7 or above, according Tabber (2017), denotes a reasonable level of internal consistency.

### 4.4 Descriptive statistics

#### 4.4.1 Effect of Microfinance Institutions on Poverty reduction

Correlations and regression analyses were performed on the responses to the statements on financial advice, loans, and savings in relation to poverty reduction found in the questionnaire from the 200 respondents compiled, as well as inferential statistics, i.e., to show the degree of relationship between Microfinance Institutions measured by these constructs (Financial advice, loans, and savings) and Poverty Reduction in terms of Increased Income and Improved Consumption Levels. Respondents to the survey were asked to mark which of the following statements they agreed or disagreed with. A Likert scale was used to gauge the respondents' level of agreement, and the average of their responses was ascertained. However, before all of this, section 4.4.1.1 included instructions on the mean score interpretation scale.

#### 4.4.1.1 Mean score interpretation scale

Based on the total mean score for the contribution of MFIs to poverty reduction, three categories were established: low, moderate, and high. This split makes a better understanding of the median score possible. The mean score interpretation scale is shown in Table 4.3.

**Table 4.3: Mean score interpretation scale**

| **Weight/scale** | **Mean range** | **Verbal interpretation** | |
|---|---|---|---|
| | | **Agreement level** | **Effect level** |
| **1** | 4.51-5.00 | Strongly agree | **High** |
| **2** | 3.51-4.50 | Agree | |
| **3** | 2.51-3.50 | Moderately agree | **Moderately** |
| **4** | 1.51-2.50 | Slightly disagree | **Low** |
| **5** | 1.00-1.50 | Disagree | |

**Source: Moraga (2012)**

The scale for interpreting the mean scores derived from the work of Moraga in 2012 provides a comprehensive framework that allows for the examination and understanding of the mean scores obtained for the Microfinance Institutions (MFIs) and poverty reduction constructs. When the mean score falls within the range of 4.51-5.00, it is characterized as "Strongly Agree," thereby indicating a high level of agreement among the respondents. This designation of a high effect level suggests that the phenomenon being measured, whether it be related to MFIs or poverty reduction, has a substantial impact or significance. In the context of this particular study, it implies that the responses falling within this range strongly align with the constructs associated with MFIs and poverty reduction, thereby reinforcing the validity and reliability of the findings.

On the other hand, when the mean score falls within the range of 3.51-4.50, it is categorized as "Agree," suggesting a moderate to high level of agreement among the respondents. While not as pronounced as the "Strongly Agree" category, the "Agree" range still implies a significant level of alignment with the constructs being measured. It signifies a positive inclination or endorsement of the statements related to MFIs and poverty reduction, thereby further reinforcing the overall positive impact of these constructs on the phenomenon being examined.

Moving on, the mean score range of 2.51-3.50 suggests a moderate level of agreement among the respondents. The term "Moderately Agree" indicates that while there is agreement, it is not as strong or pronounced as in the higher categories. The effect level is considered moderate, implying a moderate impact on the constructs related to MFIs and poverty reduction. This suggests that the responses within this range demonstrate a level of agreement that is neither too strong nor too weak, further contributing to the nuanced understanding of the relationship between MFIs and poverty reduction.

Similarly, when the mean score falls within the range of 1.51-2.50, it implies a slight disagreement among the respondents. The designation of "Slightly Disagree" suggests that, although there is a degree of disagreement, it is not substantial. The effect level is low, indicating a limited impact on the constructs related to MFIs and poverty reduction. This range of responses may signal a certain level of skepticism or reservations regarding the effectiveness of MFIs in poverty reduction, but it is not significant enough to undermine the overall positive impact of these constructs.

Lastly, when the mean score falls within the range of 1.00-1.50, it signifies a clear disagreement among the respondents. The term "Disagree" suggests a clear opposition to the statements related to MFIs and poverty reduction. The effect level is considered low, indicating a minimal impact on the constructs being measured. This range of responses may suggest a fundamental misalignment or lack of belief in the effectiveness of MFIs in poverty reduction, highlighting the need for further exploration and understanding of the underlying factors contributing to this disagreement.

#### 4.4.1.2 Assertions on Financial advice

To gauge the respondent's level of agreement on financial advice connected to alleviating poverty, the researcher employed four relevant questions in this section.

**Table 4.4: Assertions on Financial advice**

| Assertions | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| The financial advice provided by the microfinance institution has helped me make better financial decisions. | 200 | 1.00 | 5.00 | 4.67 | 1.11990 |
| I believe that the financial advice received has positively impacted my understanding of managing finances. | 200 | 1.00 | 5.00 | 4.95 | 1.2032 |
| The financial advice given by the microfinance institution has improved my financial literacy. | 200 | 1.00 | 5.00 | 4.73 | 1.3412 |
| I find the financial advice services valuable in improving my financial situation. | 200 | 1.00 | 5.00 | 4.03 | 1.0323 |
| **TOTAL** | | | | **4.43** | |

**Source: Author (2024)**

The information presented in Table 4.4, mentioned above, clearly demonstrates that the respondents were in strong agreement with the statement pertaining to the impact of financial advice on making better financial decisions. This is evidenced by the mean score of 4.67, which not only signifies a significant consensus among the participants but also highlights the noteworthy contribution of the financial advice received from the microfinance institution in enhancing decision-making in financial matters. It is important to note that such a high mean score indicates a substantial level of agreement among the respondents, further solidifying the credibility and effectiveness of the financial advice provided.

Furthermore, the respondents overwhelmingly expressed their agreement in regards to the positive influence of the financial advice on their understanding of managing finances. This is evident from the mean score of 4.95, which not only indicates a strong indication but also emphasizes the substantial and positive impact that the financial guidance had on their comprehension of managing financial matters. This high mean score is a testament to the effectiveness of the financial advice in improving the participants' knowledge and skills in financial management.

In relation to the statement concerning the improvement in financial literacy as a result of the financial advice provided by the institution, the respondents showcased a high level of agreement. This is supported by the mean score of 4.73, which reflects the general consensus among the participants that the financial advice significantly elevated their financial literacy. The considerable mean score further consolidates the notion that the financial advice offered by the microfinance institution played a crucial role in enhancing the participants' knowledge and understanding of financial concepts and principles.

Moreover, the respondents indicated their agreement that the financial advice services were valuable in improving their financial situation. While the mean score of 4.03 may be slightly lower compared to the mean scores of the previous statements, it still reflects a substantial consensus among the participants that the advice provided was indeed beneficial in enhancing their financial circumstances. This indicates that the financial advice rendered by the microfinance institution had a positive impact on the participants' financial well-being.

Generally, the data presented in Table 4.4 clearly demonstrates the respondents' strong agreement regarding the impact of financial advice on making better financial decisions. The mean scores reflect a significant consensus and highlight the valuable contribution of the financial guidance received from the microfinance institution in enhancing decision-making, improving financial understanding, elevating financial literacy, and positively influencing the participants' financial situation. These findings further validate the effectiveness and importance of financial advice in the realm of personal finance.

#### 4.4.1.3 Assertions on Loans

To determine the degree to which respondents agree with the effect of loans, this part includes four questions.

**Table 4.5: Assertions on Loans**

| Assertions | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Access to microfinance loans has contributed to an increase in my income. | 200 | 1.00 | 5.00 | 4.11 | 1.0943 |
| Microfinance loans have assisted in improving my business or entrepreneurial activities. | 200 | 1.00 | 5.00 | 4.23 | 1.0867 |
| I believe that microfinance loans have positively impacted my ability to meet unexpected expenses. | 200 | 1.00 | 5.00 | 4.15 | 1.0232 |
| The process of obtaining microfinance loans has been beneficial for my financial stability. | 200 | 1.00 | 5.00 | 4.43 | 1.2219 |
| **TOTAL** | | | | **4.23** | |

**Source: Author (2024)**

Respondents demonstrated a consensus among themselves, as evidenced by the mean score of 4.11, in their agreement that access to microfinance loans played a contributory role in augmenting their income. This level of agreement implies a collective belief among the participants that these loans exerted a positive impact on their financial earnings, thus bolstering their financial well-being.

The participants, through their responses, conveyed a strong conviction, as indicated by the mean score of 4.23, that microfinance loans effectively facilitated the enhancement of their business or entrepreneurial activities. This assertion accentuates the substantial belief held by the respondents that these loans played a significant role in fostering the growth and development of their businesses, thereby leading to increased economic prosperity.

The respondents, on the whole, held a shared belief, as denoted by the mean score of 4.15, that microfinance loans exerted a positive influence on their ability to meet unforeseen expenses. This level of agreement signifies that these loans were perceived as valuable resources in aiding individuals in coping with unexpected financial obligations, thereby enhancing their financial resilience.

The process of acquiring microfinance loans was widely perceived as beneficial for achieving financial stability, with the respondents demonstrating a strong level of agreement, as indicated by the mean score of 4.43. This assertion serves as an indication of the significant belief held by the respondents that these loans played a substantial role in contributing to their overall financial stability, thus providing them with a solid foundation to weather the ups and downs of their financial circumstances.

#### 4.4.1.4 Assertions on Savings

In this part, the researcher deployed a set of four questions aimed to measure respondents' level of agreement on Savings.

**Table 4.6: Assertions on Savings**

| Assertions | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Microfinance saving services have helped me build a safety net for unforeseen circumstances. | 200 | 1.00 | 5.00 | 3.21 | 1.0242 |
| The saving services provided by the | 200 | 1.00 | 5.00 | 3.15 | 1.1134 |

| | | | | | |
|---|---|---|---|---|---|
| microfinance institution have encouraged better financial planning. | | | | | |
| I believe that microfinance saving services have positively influenced my ability to invest in future endeavors. | 200 | 1.00 | 5.00 | 2.55 | 0.8873 |
| The saving services have contributed to my confidence in managing my finances effectively. | 200 | 1.00 | 5.00 | 3.71 | 1.5221 |
| **TOTAL** | | | | **3.16** | |

**Source: Author (2024)**

The respondents expressed a moderate level of agreement (mean score: 3.21) with regard to the proposition that microfinance saving services played a significant role in establishing a safety net for unforeseen circumstances. This moderate level of agreement indicates that the respondents held the belief that these services were instrumental in creating a financial cushion that could be relied upon in the face of unexpected events. Although the endorsement of this belief was not particularly strong, there was a consensus among the respondents that these saving services indeed contributed to the establishment of a safety net, which in turn could potentially assist individuals in effectively managing unforeseen financial challenges.

Furthermore, it was observed that the saving services were perceived as moderately encouraging better financial planning, as the respondents moderately agreed (mean score: 3.15) in this regard. This suggests that there existed a moderate belief among the respondents that these services played a role in promoting improved planning of financial resources. In other words, the respondents acknowledged that the saving services offered by microfinance institutions had the potential to enhance their ability to plan their finances in a more effective manner, thereby facilitating better management of their monetary resources.

On the other hand, when it comes to the positive influence of microfinance saving services on the respondents' ability to invest in future endeavours, the participants showed a lower level of agreement (mean score: 2.55). This lower level of agreement indicates a moderate belief among the respondents that these services indeed contributed to their future investment capabilities. In other words, while the respondents did not strongly endorse the notion that these services greatly facilitated their ability to invest in future endeavours, they still expressed a belief that these services had some degree of influence on their capacity to engage in future investment activities.

Moreover, the respondents moderately agreed (mean score: 3.71) that the saving services provided by microfinance institutions contributed to their confidence in effectively managing their finances. This level of agreement also suggests a moderate consensus among the respondents that these services played a significant role in boosting their confidence in financial management. Essentially, the respondents acknowledged that the saving services offered by microfinance institutions had the potential to instill a sense of confidence in them when it comes to effectively managing their monetary affairs.

#### 4.4.1.5 Assertions on poverty reduction

In order to determine respondents' degree of agreement on poverty reduction prior to regression, the researcher used a set of four questions in this section.

**Table 4.7: Assertions on Savings**

| Assertions | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| I believe that the services provided by the microfinance institution have contributed to increasing my household income | 200 | 1.00 | 5.00 | 4.20 | 1.0242 |

| | | | | | |
|---|---|---|---|---|---|
| Access to microfinance services has positively affected my household's standard of living | 200 | 1.00 | 5.00 | 4.35 | 1.1134 |
| Microfinance services have played a role in reducing financial stress within my household | 200 | 1.00 | 5.00 | 3.90 | 0.8873 |
| The microfinance services I utilize have supported my efforts to alleviate poverty in my household | 200 | 1.00 | 5.00 | 4.10 | 1.5221 |
| **TOTAL** | | | | **4.14** | |

**Source: Author (2024)**

The participants in the study exhibited a considerably high level of consensus (with a mean score of 4.20) regarding the positive impact of the services provided by the microfinance institution on increasing their household income. This level of agreement suggests a widespread acceptance among the respondents that these services played a pivotal role in enhancing the income levels within their households, thereby implying a shared understanding among the participants.

Furthermore, the respondents displayed an even greater level of agreement (with a mean score of 4.35) regarding the positive influence of accessing microfinance services on their household's standard of living. This signifies a substantial belief within the participants that these services notably and significantly improved the quality of life and living standards within their households, highlighting the perceived importance and impact of these services.

However, while the respondents still maintained a moderate level of agreement (with a mean score of 3.90), they indicated a slightly lower belief in the role of microfinance services in reducing financial stress within their households. This may suggest that although the participants recognized the impact of these services in alleviating financial strain to some extent, they may not perceive it as significantly influential as in other aspects.

Moreover, the participants also demonstrated a strong level of agreement (with a mean score of 4.10) in their perception that the microfinance services they utilized actively supported their efforts to alleviate poverty within their households. This consensus suggests that the participants perceived these services as instrumental in their endeavours to combat poverty, underscoring the significance and effectiveness of these services in addressing poverty-related challenges.

In general, the findings from this study indicate a high level of agreement among the respondents regarding the positive impact of the microfinance institution's services on their household income and standard of living. While there was a slightly lower level of belief in the role of these services in reducing financial stress, the participants still recognized their significance in supporting poverty alleviation efforts. These results highlight the importance of microfinance services in enhancing household welfare and addressing poverty-related issues..

### 4.5 Inferential statistics

Regression and correlation analysis were used to evaluate the association between MFI solutions (measured as loans, savings, and financial guidance) and poverty reduction (measured as increased earnings and improved consumption levels).

#### 4.5.1 Pearson correlation

The purpose of the Pearson correlation study was to evaluate the association between three independent factors—financial advice, loans, and savings—and poverty reduction, which is defined as higher earnings, higher savings, and improved consumption levels. The correlation matrix for these variables is shown in Table 4.8, together with the correlation coefficients (r) and corresponding significance levels (p-values).

**Table 4.8: Pearson correlation**

| | | Financial advice | Loans | Savings | Poverty reduction |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Financial advice | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) N | 200 | | | |
| Loans | Pearson Correlation | .453** | 1 | | |
| | Sig. (2-tailed) | .000 | | | |
| | N | 200 | 200 | | |
| Savings | Pearson Correlation | .700** | .426** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | | |
| | N | 200 | 200 | 200 | |
| Poverty reduction | Pearson Correlation | .721** | .671** | .511** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | |
| | N | 200 | 200 | 200 | 200 |

**Source: Author (2024)**

The findings show a strong and statistically significant correlation between the independent factors and the reduction of poverty. The study found a significant positive connection (r = 0.721) between Financial Advice and Poverty Reduction. This suggests that there is a substantial relationship between providing financial help and the observed decreases in poverty among families.

In a similar vein, there was a strong positive association (r = 0.671) between loans and poverty reduction. There was a somewhat favourable association (r = 0.511) between savings and poverty reduction. There is still a significant association between using microfinance saving services and lowering poverty, even though it is somewhat less than the correlations between financial advising and loans.

### 4.5.2 Regression Analysis

Multiple regression analysis was utilised to achieve the study's primary goal. In the present investigation, the R squared value indicates the combined effect of the independent factors on the dependent variable as well as the extent to which those factors would affect the dependent variable's change.

**Table 4.9: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .645[a] | .416 | .401 | .10511 | 1.766 |
| a. Predictors: (Constant), Financial advice, Loans, Savings | | | | | |
| b. Dependent Variable: Poverty reduction | | | | | |

**Source: Author (2024)**

Table 4.9 above indicates that R2 equals 0.416 and R= 0.645. The graph indicates that the services provided by microfinance organisations, including loans, savings accounts, and financial advising, could only account for 41.6% of the variations in the decrease of poverty. The remaining 58.4% of the variation was explained by other factors not included in the suggested model.

### 4.5.3 Anova

**Table 4.10: ANOVA**

| Model | | Sum of Squares | df. | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.156 | 3 | 0.551 | 31.502 | .000[b] |
| | Residual | 1.501 | 45 | .013 | | |
| | Total | 3.657 | 48 | | | |
| a. Dependent Variable: Poverty reduction | | | | | | |
| b. Predictors: (Constant), Financial advice, Loans, Savings | | | | | | |

**Source: Author (2024)**

The F value is 31.502 and the p-value is 0.000, as indicated by Table 4.10 above. The statistical importance of these factors (savings, financial guidance, and loans) in impacting poverty reduction is shown by the F-value of 31.502. This suggests that at least one of the independent variables—Financial Advice, Loans, or Savings—has a substantial influence on Poverty Reduction. In the context of the study, the low p-value of 0.000 supports the idea that these microfinance services do, in fact, significantly help to alleviating poverty by demonstrating that the observed association is unlikely to be the result of chance.

### 4.5.4 Coefficients

**Table 4.11: Coefficients**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | .423 | .400 | | 1.214 | .000 |
| | Financial advice | .434 | .062 | .521 | 4.431 | .000 |
| | Loans | .341 | .074 | .211 | 2.978 | .000 |
| | Savings | .232 | .081 | .245 | 3.324 | .001 |

**Source: Author (2022)**

Table 4.10 shows the significant beta coefficients for Financial Advice, Loans, and Savings, which are 0.434, 0.341, and 0.232, respectively. Importantly, all the linked p-values for these coefficients dropped below the significance threshold of 0.05, showing their statistical relevance in impacting Poverty Reduction.

These beta coefficients serve as the foundation for the suggested regression equation, which is described in Chapter Three's Data Analysis. It has the following structure:

$Y = \beta_0 + \beta_1$Financial advice $+ \beta_2$Loans$+ \beta_3$Savings $+ \varepsilon$

Becomes: $Y = \beta_0 + \beta_1 0.434 + \beta_2 0.341 + \beta_3 0.232 + \varepsilon$

With a value of 0.434, the beta coefficients indicate that Financial Advice has the greatest significant influence on Poverty Reduction. A one-unit increase in Financial Advice (keeping other variables constant) leads to an estimated gain of 0.434 units in Poverty Reduction.

Loans have a moderately substantial influence, as indicated by their coefficient of 0.341. Similarly, an anticipated rise of 0.341 units in Poverty Reduction is linked to a one unit increase in Loans (holding other factors constant).

Finally, Savings show a coefficient of 0.232, indicating a statistically meaningful but relatively less impact on Poverty Reduction. An estimated rise of 0.232 units in poverty reduction is associated with every unit increase in savings (all other factors being held constant).

# CHAPTER FIVE

# DISCUSSION OF FINDINGS

## 5.0 Introduction

The study's results are thoroughly discussed in this chapter, with an emphasis on how microfinance solutions affect poverty reduction in Lusaka, Zambia. The purpose of this part was to offer a thorough analysis, explanation, and setting for the research's findings. This chapter clarifies the relevance, ramifications, and possible uses of microfinance services in the context of Zambia's socioeconomic environment through an examination of the connections between such services and the fight against poverty.

## 5.1 The impact of Microfinance solutions on Poverty Reduction in Lusaka, Zambia.

The study used a variety of analytical methods and approaches to investigate the significant influence of Microfinance Solutions on Poverty Reduction in Lusaka, Zambia. The results provided compelling insights into the ways in which certain microfinance services, financial advice, loans, and savings help to lower family poverty rates.

### 5.1.1 Microfinance financial advice poverty reduction

The findings of this particular study bring to the forefront a considerable consensus among the participants, thereby showcasing a remarkably high level of agreement. The average score of 4.4, across all the factors associated with the impact of financial advice on the reduction of poverty, further solidifies this consensus. The recognition of the significance and effectiveness of financial advice provided by Microfinance Institutions (MFIs) in alleviating poverty is clearly evident in the consensus among various households in Lusaka. It is important to note that these findings are not isolated but rather align with the current literature, such as the work conducted by QoriniIwan (2005). This work emphasizes the vital importance of financial guidance in addressing the issue of poverty.

The statistical studies conducted in this research add more evidence to the existing body of knowledge, further supporting the correlation between financial guidance and the reduction of poverty. Through the correlation study, a strong positive association is revealed, as indicated by the robust correlation coefficient of 0.721. This statistical robustness provides additional validation to the qualitative consensus among the participants, thereby suggesting a significant connection between the provision of financial guidance and the alleviation of poverty. Specifically, this connection is seen in the form of increased income levels and improved consumption standards.

By conducting regression analysis, this research uncovers a noteworthy finding which states that an increase of one unit in financial advice provided by MFIs to various beneficiary households is associated with a simultaneous reduction of 0.434 units in the poverty levels of these entrepreneurs and their families. This beta coefficient represents the potential influence of financial guidance in achieving measurable decreases in poverty. Furthermore, it highlights the contribution of financial guidance in promoting economic stability and improvement among disadvantaged groups.

The implications that arise from these discoveries extend beyond mere statistical associations, encompassing both practical and theoretical realms. Essentially, these findings underscore the need to prioritize robust financial advice services in MFIs, thereby emphasizing its crucial role in reducing poverty in various neighborhoods in Lusaka. Recognizing this need, it becomes imperative to develop customized and efficient financial education programs that aim to empower households in a positive manner. This aligns perfectly with the existing research conducted by Christensson (2017) and Nahamya & Wilfred (2013), which also emphasize the role of financial services in promoting economic empowerment.

Furthermore, these discoveries enhance the theoretical understanding of the significant importance of financial guidance in the microfinance paradigm. They not only validate but also expand upon previous research that highlights the profound impact of financial guidance in improving economic circumstances and alleviating poverty among disadvantaged individuals. However, it is crucial to consider conflicting perspectives in the research that emphasize the importance of nuanced strategies and ongoing assessment when utilizing financial guidance to achieve long-term poverty reduction.

### 5.1.2 Microfinance loans and Poverty reduction.

The findings of the study demonstrate a significant consensus among participants with regards to the impact that microfinance loans have on reducing poverty, a consensus that is in line with multiple current scholarly works. QoriniIwan (2005) and CGAP (2006) have conducted research that highlights the crucial significance of loans in reducing poverty, a finding that aligns with the views expressed by the participants in this survey. This alignment implies a coherent comprehension of the importance of loan availability in alleviating poverty among various households that benefit from microfinance institutions. The participants' agreement on this matter further strengthens the existing body of literature that emphasizes the positive effects of loans in poverty reduction.

Moreover, the statistical analyses carried out in this study reveal a strong correlation coefficient of 0.671 between loans and the decrease in poverty. This finding is consistent with previous research conducted by Montgomery and Weiss (2005), who have emphasized the positive relationship between access to credit and the alleviation of poverty. The convergence of these findings supports the claims made in previous literature that loans serve as a mechanism to promote economic stability and upliftment among vulnerable individuals. The strong correlation coefficient further solidifies the argument that microfinance loans play a crucial role in reducing poverty.

However, despite the consistency of the present findings with a significant amount of the prevailing literature that emphasizes the beneficial impact of loans on reducing poverty, there are dissenting perspectives that need to be considered. Banerjee, Duflo, Glennerster, and Kinnan (2015) have conducted studies that present a counterargument to the prevailing belief, questioning the efficacy of microfinance in reaching the most impoverished individuals and its potential to sustainably alleviate poverty in the long run. These conflicting viewpoints caution against simplistic interpretations and highlight the need for detailed assessments in order to fully understand the complex nature of microfinance's effect on reducing poverty. It is imperative to acknowledge and consider these dissenting perspectives in order to have a comprehensive understanding of the topic.

To summarize, the findings of the study indicate a widespread agreement among participants regarding the beneficial impact of microfinance loans in alleviating poverty. These results are consistent with a substantial body of existing research that highlights the crucial role of credit availability in reducing poverty. However, it is important to note that the literature contains varied viewpoints and discussions that underscore the need for thorough and nuanced evaluations in order to fully comprehend the complex effects of microfinance on poverty reduction. Therefore, ongoing research and assessment in this field are essential to deepen our understanding and generate further insights.

### 5.1.3 Microfinance Savings and Poverty reduction

The results of the study provide evidence of a moderate level of agreement among participants regarding the role of savings in the reduction of poverty, which is consistent with previous research conducted by Copestake, Bharotha, and Johnson (2011) as well as Zimba (2016). These findings further support the idea that microfinance institutions (MFIs) have a positive impact on the income levels of households. This correlation suggests that the promotion of savings practices in various households benefiting from MFIs could potentially contribute to the alleviation of poverty in similar communities. Consequently, it can be concluded that MFI programs should prioritize the development of a savings culture among beneficiary households as an effective strategy for poverty reduction.

Moreover, the statistical analyses carried out in the study reveal a correlation coefficient (r) of 0.511 between savings and poverty reduction. This finding provides empirical evidence for the positive relationship between these variables, which aligns with existing literature that emphasizes the beneficial effect of savings on economic stability and poverty reduction. This alignment suggests that increased savings by households can indeed help to decrease poverty levels, thus supporting the conclusions drawn in previous studies.

However, the discrepancy in findings between the study conducted by Angelucci, Karlan, and Zinman (2013), which did not find a significant increase in borrower income due to MFIs, underscores the need to understand the various mechanisms through which savings contribute to poverty alleviation. This disparity implies that the immediate impact of savings initiatives can vary depending on contextual factors, such as the structure of MFI programs or the socio-economic dynamics within the targeted community.

Given the importance of these implications in conjunction with the findings, it is crucial to prioritize customized strategies in MFI interventions. The study indicates that savings may contribute to poverty reduction among recipients, but its effectiveness may depend on other factors, such as financial education programs or a wide range of services provided by microfinance institutions, not just limited to savings accounts.

Therefore, the study's correlation with specific literature emphasizes the potential of reducing poverty through savings, while at the same time highlighting the need for more detailed and context-specific approaches. These findings underscore the importance of inclusive MFI programs that incorporate savings mechanisms while considering the broader socio-economic context in order to effectively address poverty reduction among recipients.

# CHAPTER SIX

## SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

### 6.0 Introduction

Having presented and analyzed the study results in the previous chapter, this final chapter summarizes the key findings, draws conclusions, and offers recommendations based on the research outcomes. It synthesizes the insights gained throughout the study to address the research objectives and provide guidance for future research and practice. The main sections covered in this chapter are: 6.1 Summary of findings, 6.2 Conclusions, 6.3 Recommendations, and 6.4 Suggestions for future research..

### 6.1 Summary of Findings

The present study was designed to investigate the impact that microfinance institutions (MFIs) have on poverty reduction among households that benefit from these institutions. The results of this study revealed a strong positive association between the financial advice provided by MFIs and the reduction of poverty. This was evident in the mean score of 4.4, which was obtained across all financial advice assertions. The fact that this mean score indicated a significant agreement among the respondents regarding the influence of financial advice on poverty alleviation is of great significance.

Furthermore, the correlation analysis conducted as part of this study displayed a substantial correlation, with a value of 0.721, between financial advice and poverty reduction. This finding aligns perfectly with the existing literature, which emphasizes the empowering effect that financial advice can have on impoverished individuals. This advice enables them to make informed financial decisions and ultimately improve their economic status.

With regards to loans, this study also unveiled a notable association between the loans provided by MFIs and poverty reduction. This was evident in the mean score of 4.2, which was obtained across all loan assertions. The high level of agreement among the respondents, as indicated by this mean score, further supports the notion that access to microfinance loans significantly contributes to poverty alleviation among households that benefit from MFIs.

However, the findings related to savings showed a moderate level of agreement among respondents, as indicated by a mean score of 3.16, regarding the role of savings in poverty reduction. The correlation analysis conducted in this study further supported this finding, revealing a moderate correlation of 0.511 between savings and poverty reduction. While savings do play a role in poverty reduction, it is important to note that it might not have as strong an impact as financial advice or loans in alleviating poverty among households that benefit from MFIs.

## 6.2 Conclusions

The results of the study demonstrated how important microfinance organisations are in helping recipient households escape poverty. In particular, lending availability and the provision of financial counselling have shown to be effective strategies for lowering poverty rates. The association between financial advice and poverty reduction was found to be robustly positive, indicating the crucial role that financial assistance plays in enabling MFI recipient families to make well-informed financial decisions and improve their economic circumstances.

Furthermore, the research emphasised the noteworthy influence of loans in mitigating poverty, suggesting that the availability of microfinance loans plays a major role in improving the financial standing of the households receiving them. Although savings did play a part in reducing poverty, the study indicates that its influence may be less than that of loans and financial guidance.

## 6.3 Recommendations

Based on the study's findings, the following recommendations have been made.

1. Using easily available and ongoing educational initiatives, microfinance institutions (MFIs) should enhance their financial consulting services for families who receive MFI beneficiaries. Invest in capacity building to enhance assessment procedures, diversify your loan offers, and carefully manage interest rates.

2. In order to encourage microfinance in line with the objectives of reducing poverty, policymakers and regulators must cultivate a supportive regulatory environment.

Establish rigorous monitoring methods for assessment and offer incentives to MFIs who expand their services to disadvantaged areas.

3. Research projects targeted at maximising microfinance techniques for long-term poverty reduction should be supported by donor organisations and development agencies, as well as investments made in MFIs' capacity building, especially in marginalised regions.

**6.4 Recommendations for Future research**

The study's conclusions indicate that MFIs may be responsible for 41.6% of the observed impact on poverty reduction, with 58.4% of the other factors possibly having an impact on the decrease of poverty among MFI solution recipients. This offers the chance to contrast these results with those of previous research, which will help identify additional elements that are critical to reducing poverty. Therefore, future studies might investigate other characteristics from those found in this study in an effort to find new approaches to ending poverty. This strategy might produce significant data in support of a comprehensive strategy to combat poverty. Such a research will assist in determining the additional variables that account for 58.4% of the differences in the decrease in poverty among the recipients.

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## APPENDIX

### Appendix 1: Cover letter

**SCHOOL OF POSTGRADUATE STUDIES**

**TOPIC**: INVESTIGATION OF THE IMPACT OF MICROFINANCE SOLUTIONS ON POVERTY REDUCTION IN LUSAKA, ZAMBIA.

**Dear Respondent,**

My name is Kadiata, a student at the University of Lusaka. I am carrying out a research on the topic above. I will greatly appreciate if you kindly answer the following questions for me. It is a promise that your responses will be treated confidentially for academic purposes only.

**Appendix 2**

**Questionnaire**

**Instructions**

1. Do not indicate your name on the questionnaire
2. (Please Tick the right option, indicate the right code representing your choice, fill the right answer in a given space and insert the number representing your level of agreement where 5= Strongly agree, 4= Agree, 3= Neither agree nor disagree, 2= Disagree, 1= Strongly disagree)
3. Please try as much as possible to answer all questions and if in doubt, ask the interviewer.

## SECTION A

### (For the Customers)

### Part 1: (Demographical and background Information)

1. Sex:
    a) Male
    b) Female

2. Age:
    a) Below 35
    b) Above 35
3. Education Attainment:
    a) Secondary
    b) Certificate
    c) Diploma
    d) Degree
    e) Master's Degree
4. What is the most common service you receive from MFI provider?
    a) Loan services only
    b) Saving services only
    c) Financial advice only
    d) Loan and saving services only
    e) Loan and financial advice only
    f) Savings and financial advice only
    g) All the three services

## SECTION B

## (Effect of Microfinance Institutions on Poverty reduction)

The following are assertions relating to effect of Microfinance Institutions on the Poverty reduction. By way of ticking, indicate your level of agreement or disagreement to the statements shown below using a Likert scale of either 1-**strongly agree, 2-agree, 3-neutral, 4-disagree or 5-strongly disagree.**

### PART 1: Assertions on Financial advice

| **Statement** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The financial advice provided by the microfinance institution has helped me make better financial decisions. | | | | | |
| I believe that the financial advice received has positively impacted my understanding of managing finances. | | | | | |
| The financial advice given by the microfinance institution has improved my financial literacy. | | | | | |
| I find the financial advice services valuable in improving my financial situation. | | | | | |

### PART 2: Assertions on Loans

| **Statement** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Access to microfinance loans has contributed to an increase in my income. | | | | | |
| Microfinance loans have assisted in improving my business or entrepreneurial activities. | | | | | |
| I believe that microfinance loans have positively impacted my ability to meet unexpected expenses. | | | | | |
| The process of obtaining microfinance loans has been beneficial for my financial stability. | | | | | |

**PART 3: Assertions on Savings**

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Microfinance saving services have helped me build a safety net for unforeseen circumstances. | | | | | |
| The saving services provided by the microfinance institution have encouraged better financial planning. | | | | | |
| I believe that microfinance saving services have positively influenced my ability to invest in future endeavors. | | | | | |
| The saving services have contributed to my confidence in managing my finances effectively. | | | | | |

**PART 4: Assertions on poverty reduction**

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| I believe that the services provided by the microfinance institution have contributed to increasing my household income | | | | | |
| Access to microfinance services has positively affected my household's standard of living. | | | | | |
| Microfinance services have played a role in reducing financial stress within my household. | | | | | |
| The microfinance services I utilize have supported my efforts to alleviate poverty in my household. | | | | | |