School of Postgraduate Studies

THE ROLE OF MICROCREDIT IN POVERTY REDUCTION AMONG RURAL HOUSEHOLDS IN CHIBOMBO DISTRICT

By

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Declaration

This research project is my original work and has not been presented for any award in any other university. Furthermore, all the sources of my information have been duly acknowledged.

Sign: ____  _____ Date: _05/03/24_____

Mary Nsofwa Chileshe

Supervisor

This research project has been submitted for examination by my approval as university supervisor.

Sign: _____  _____ Date: __05/03/24_____

Dr Claire Chagwiza

Dedications

To my two Children and special heroes Tukuza Claire Phiri and Edward Killion Phiri and last but not the least my two pillars who have stood with me through good and challenging moments my parents Edward and Diana Chileshe. A special thanks to my brother Patrick Shula Chileshe who never got tired of my persistent questions.

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List of Acronyms and Abbreviations

CGAP	CONSULTATIVE GROUP TO ASSIST THE POOR
CSO	CENTRAL STATISTICS OFFICE
CUSA	CREDIT UNION AND SAVINGS ASSOCIATION
FSA	FINANCIAL SYSTEMS APPROACH
GRZ	GOVERNMENT OF THE REPUBLIC OF ZAMBIA
MFI	MICROFINANCE INSTITUTION
NSCB	NATIONAL SAVINGS AND CREDIT BANK
NBFI	NON-BANK FINANCIAL INSTITUTION
NGO	NON-GOVERNMENTAL ORGANIZATION
PLA	POVERTY LENDING APPROACH
SEDB	SMALL ENTERPRISE DEVELOPMENT BOARD
SIDO	SMALL INDUSTRIES DEVELOPMENT ORGANIZATION

Abstract

This study examines the impact of microcredit on poverty reduction in the low-income rural households of Chibombo, Zambia. Existing perspectives on microfinance's efficacy are conflicting, with advocates emphasizing its positive effects on income generation and financial stability, while critics warn of potential debt-related pitfalls. The research adopted a mixed method approach. A sample of 100 households was selected through stratified random sampling. For data collection the investigation deployed quantitative questionnaires and one-on-one interviews. Thematic analysis was employed to analyze qualitative data on repayment challenges, while quantitative data was analyzed using descriptive statistics and linear regression models.

The results on the impact of microcredit on household income revealed significant correlations, with a moderate positive relationship between the frequency of microcredit utilization and household income ($r = 0.575$), and between the number of years utilizing microcredit and household income ($r = 0.427$), both statistically significant ($p < 0.001$). Concerning the impact on asset acquisition, correlations indicated a positive yet weak relationship ($r = 0.353$) between the frequency of microcredit utilization and the purchase of moveable assets, with a highly significant p-value of 0.001. The correlation with the number of years utilizing microcredit was 0.181, indicating a weaker positive relationship with a marginally significant p-value of 0.065.

In exploring challenges during microcredit repayment, respondents identified financial knowledge gaps, weather-related uncertainties, fluctuating incomes, delayed salaries, and high-interest rates. Inadequate loan amounts were a significant factor influencing successful repayment, with challenges in fixed payment schedules and high-interest rates emphasizing the need for more flexible terms. The failure to repay microcredit had profound consequences, leading to accumulated debt, stress, and strained budgets. Loan officers from MFI X declared that the firm faced challenges in loan recovery, including uncooperative customers, a costly legal execution process, and issues with asset liquidity. Measures to minimize loan defaults included collateral pledging, third-party credit guarantees, credit ratings, and collection agencies. The findings provided a robust foundation for understanding the multifaceted dynamics affecting the effectiveness of microcredit.

The study recommends for Microfinance institutions (MFIs) to tailor loans to specific customer needs, to integrate comprehensive financial education programs and to implement flexible repayment structures aligned with income cycles enhance borrower empowerment and resilience. MFIs should also explore innovative risk mitigation, like weather-indexed insurance, contributes to successful and sustainable microcredit utilization for MFIs. The study suggests future research avenues in microcredit: exploring innovative risk mitigation, assessing long-term impacts of financial education, and investigating technology's role in delivery. These recommendations aim to enhance program resilience, refine education approaches, and leverage technology for improved accessibility, efficiency, and transparency in microcredit practices.

Chapter 1

Introduction and Background

1.1 Introduction

The majority of impoverished individuals worldwide reside in rural areas, yet they face a lack of accessible financial services. These services, offered by formal or informal providers, as well as traders and agricultural processors providing input credit, tend to be expensive or inflexible. Microfinance emerges as a crucial financial solution for low-income individuals or those without access to conventional banking services. It involves delivering services like savings, loans, and insurance to impoverished individuals in both urban and rural settings who cannot access such offerings from the formal financial sector (Addae-Korankye, 2020; Mech, 2017). Microcredit, a key aspect of microfinance, operates on the belief that providing affordable credit to low-income individuals can empower them to lift themselves out of poverty (Berhanu, 2019).

Sinha (2005) defines microcredit as small loans obtained from banks or other institutions, while microfinance encompasses a broader range of financial services such as savings, insurance, transfer services, microcredit loans, and other products required by low-income customers. Microcredit, a simple yet effective credit tool, involves extending small loans, typically under $200, to the working poor through local organizations known as microfinance institutions (MFIs) (Chikwira et al., 2022). This form of credit aids the working poor in establishing or expanding small businesses, leading to additional income for family necessities. The extra income enables impoverished families to purchase food, access healthcare, educate their children, save, and lay the groundwork for a better future. Microcredit also serves as a means to create simple jobs and promote self-employment, particularly benefiting women and empowering them economically (Chikwira et al., 2022; Tafamel, 2019; Ghalib et al., 2015). For many individuals, especially in the rural areas of developing countries, aspiring to establish microenterprises in the unregulated informal sector, microcredit plays a crucial role. Even small amounts of capital can make a significant difference, transforming absolute poverty into a thriving microbusiness capable of sustaining the family, educating children, and providing decent housing. Microcredit often comes with lower interest rates compared to the market and typically does not require collateral. This underscores the importance of microcredit as a key component of microfinance, enabling the

impoverished to access capital and enhance their productivity. Due to factors like high costs, risks, low savings propensities, and limited collateral, these individuals have historically been excluded from the formal banking sector (Morduch, 1999). This study aims to explore the role of microcredit in alleviating poverty among households in Chibombo against this backdrop.

1.2 Statement of the Problem

Microcredit, an important component of financial inclusion strategies, has garnered significant attention in addressing poverty alleviation worldwide (Aremu, 2020; Berhanu, 2019). The discourse surrounding its impact, however, is marked by divergent perspectives. This controversy is exemplified by the contrasting findings in existing studies, where some highlight the positive impact of microfinance on financial stability, while others point to potential pitfalls, particularly in the context of low-income rural households.

Advocates assert that microcredit serves as an effective tool for poverty reduction, emphasizing its role in providing low-income households with a low-cost source of capital for investment in income-generating activities (Addae-Korankye, 2020; Mecha, 2017). Additionally, proponents highlight its function as a safety net, offering a reservoir of emergency funds to shield households from unforeseen financial shocks (Chikwira et al., 2022; Tafamel, 2019; Ghalib et al., 2015).

However, an alternative viewpoint contends that microcredit may inadvertently endanger financial security, particularly among low-income households. This perspective contends that by introducing loans and financial obligations, microfinance could potentially worsen debt burdens, potentially leading to a cycle of indebtedness (Morduch, 1999). The principal question this study seeks to address is the validity of these contrasting viewpoints, specifically within the context of low-income rural households in Chibombo district.

1.3 Research Objectives

1.3.1 General Objective

To investigate the effect of microcredit on poverty reduction among low-income rural households.

1.3.2 Specific Objectives

1. To analyze the utilization of microcredit among rural households in Chibombo.
2. To assess the relationship between microcredit utilization and changes in household income levels in Chibombo district.
3. To examine the relationship between microcredit utilization and asset accumulation patterns within rural households in Chibombo.
4. To investigate the factors that hinder the successful repayment of microcredit loans in Chibombo district, and their implications for poverty reduction efforts.

1.4 Research Questions

1) What are the individual factors that influence the utilization of microcredit, including loan amounts, loan duration, and interest rates, among rural households in Chibombo?
2) How does the utilization of microcredit relate to changes in household income levels in Chibombo district?
3) What is the relationship between microcredit utilization and asset accumulation patterns within rural households in Chibombo?
4) What are the factors that impede the successful repayment of microcredit loans in Chibombo district, and how do they impact poverty reduction efforts?

1.5 Significance of the Study

The history of development economics reveals that microcredit is among the many efforts of increasing incomes among poor households in both urban and rural areas in the world. Microcredit has emerged as a promising tool to address the problem of low income earnings (Ghalib et.al, 2015; Helms, 2006; Robinson, 2001).

This study may contribute to knowledge required by local communities, beneficiaries of microcredits, development planners, policy makers, and other stakeholders in designing appropriate programs for optimal microcredit strategies towards increasing incomes in rural households. The study may also provide information that can be used to improve the operations manual for MFIs operating in rural areas. It would also be useful in highlighting how microfinance

can be integrated into other anti-poverty policies and programmes in Chibombo District and beyond.

In addition to the above, the insights derived from this study would aid future research related to the subject matter. In this regard, it may further inform on the role of microfinance in alleviating rural poverty and stimulating sustainable rural development, the role it plays in women's empowerment in rural areas together with the role it can play in up-grading economic development in these areas away from informal sector activities. The study would provide points of reference for future scholars and researchers. It will pin-point where they need to start from and the gaps they need to fill as they attempt to further the frontiers of knowledge on the subject matter. The investigation was also conducted in partial fulfilment of the requirements for the award of the degree of Master of Development Studies from the University of Lusaka.

1.6 Scope of the Study

This study is limited to microcredit and how it reduces household poverty through its income, consumption effects and asset accumulation effects. It also focused on problems encountered by households in paying back their credit to MFIs. The study was confined to the households of Chibombo district, Zambia and did not include households or households outside the township. Furthermore, the study was focused primarily on the role played by MFIs, to the exclusion of other financial service providers such as commercial banks, mobile banking or government sponsored cash transfers.

1.7 Definitions of Key Terms

Microcredit: Micro-credit is the small amount of loan usually given to the working poor, most often for the purpose of income generating employment (Abdulkadir, et al., 2012).

Microfinance institution (MFI): Microfinance institution is the term that has been used to mean institutions that provide microcredit services (Magner, 2007).

Poverty Reduction: Improvement in the material conditions of an individual or household in terms of their income, consumption, debt, and asset ownership over a specified period of time (Aremu, 2020).

Chapter 2

Literature Review

2.1 Introduction

This chapter outlines the foundational theory to be employed in this research. It summarizes insights, observations, and additional secondary information generated by scholars and institutions pertinent to the topic. The chapter also endeavors to provide rationale for the utilization of such information in the current study. Furthermore, it undertakes a critical examination of the reviewed information, aiming to identify any knowledge gaps that the present study seeks to address. The chapter is divided into three primary sections namely: Empirical Review, Theoretical Review and Conceptual Framework.

2.2 Theoretical Framework

The emergence of microfinance can be considered as an indication of market failure in the financial market. Mainstream financial markets have either excluded the poor or have not adequately met their needs due to poorly targeted products or services that do not meet the unique needs of the poor-especially the rural poor (Robinson, 2001; Helms, 2006; Mecha, 2017).

Therefore, there is need for a theoretical paradigm of microfinance that reflects role in providing resources and services that will ultimately enable them to escape the cycle of poverty. There is need for theory that will indicate how these institutions can give the poor households a source of income that is sufficient, consistent, and viable in the long term.

The present study attempts to assess two competing theories namely, the Financial Systems Approach (FSA) and the Poverty Lending Approach (PLA). Is one of these theories more efficacious in explaining the role of MFI in improving the financial security of rural households' incomes? Is it more ideal to take an eclectic approach where both theories are applicable? The two theories are outlined below:

2.2.1 The Financial Systems Approach

The FSA is grounded in the Neo-liberal tradition of thought. The first premise is that the financial sector should not concern itself with the poorest of the poor as their needs are adequately met by government assistance or donor funded programmes. For this reason, MFIs must focus on

economically active segments of the poor rather than the destitute and unproductive poor. The economically productive segment consists of those who possess a skill that they can use to earn an income and those who are actually making an effort to earn an income (Morduch, 2003; Helms, 2006).

Consequently, the FSA seeks a win-win situation for both the productive poor as well as the MFIs that support them. On one hand it envisions MFIs that are sustainable as they are driven by principles such as full cost recovery, maintaining financial viability and best practices in finance as well as having the capacity to clearly assess the needs of the poor in order to create suitable products for them (Morduch, 1999; Morduch, 2003).

On the other hand, MFIs target borrowers with potential to make money, become financially independent and hence have the best ability to come out of poverty. They also target those among the poor whose productivity will generate spin-off benefits for their household as well as the communities in which they live- benefits which include new employment opportunities, new sources of income, new assets and possibly new forms of skills transfer (Robinson, 2001; Simanowitz and Walters, 2002).

This study seeks to illustrate the importance of MFI in stimulating economic activity at a household level, where it was previously missing or barely evident. It will additionally try to demonstrate the role played by microcredit in building the asset base of poor households, enabling these households to increase their standard of living.

2.2.2 The Poverty Lending Approach (PLA)

The PLA considers the broad perspective of poverty alleviation. While considering how MFIs can help increase household income, it also outlines how they can increase the capacity of target communities to sustain themselves, to increase their range of life choices. Added to this is the consideration of how they can overcome their state of vulnerability through financial, economic, social and food security on a sustainable basis (Sharma & Buchenrieder, 2002). This approach hence sees MFI as agents of development at an individual, household and community level (Yunus, 2003).

Another point of departure from the FSA is that unlike the former, it pays special attention to the poorest of the poor. Rather than ignoring them as an unproductive population, the PLA argues that

when they are provided with sufficient credit the extremely poor can be moved from destitution and dependency to self-reliance. It advocates for provision of concessional credit given at below market interest rather, low eligibility requirements (for instance non-stringent collateral requirements) and more flexible repayment terms (Yunus, 2003; Magner, 2007; Morduch, 2008).

The PLA moreover incorporates the gender elements of micro-finance. In most parts of the developing world, women have less economic, social and decision-making power than men and this relegates them to a subordinate class in society. Thus, they experience poverty more severely than men (OHCHR, 2014). For this reason, PLA prioritizes women's empowerment as a necessary factor for achieving social justice and social transformation. It argues for empowering poor women and women who have the potential to act as role models of change at a household and community level (Magner, 2007).

The present study sees the PLA as relevant in the sense that it will attempt to show how microfinance can be used to empower households that are extremely poor. These are families with very few productive assets, whose members are not engaged in an evident income generating activity and which are totally dependent on charity or the state for their survival.

Can MFI break the cycle of poverty for such families? Are there any special products that have been created to empower such families? How have these families utilized credit to start viable income generating activity and acquired productive assets? How has credit provided by MFI supplemented government grants such as the Social Cash Transfer programme? However, it must be pointed out that the investigation will not adopt the broad perspective of poverty alleviation but will narrow its focus to the financial element of poverty alleviation.

2.3 Empirical Review

The sections above have advocated microcredit as an effective tool for poverty reduction, but where is the evidence? The Grameen model provided part of the evidence that microfinance does work. But is it the only model that works? Are there other microfinance models that have worked? Furthermore, what are the context specific challenges faced by the poor in accessing microcredit or utilizing it? The studies below attempt to provide evidence answering these questions.

There are several variables that can be employed to assess the impacts of micro-credit on different aspects of household poverty. For practical utility, these must be precisely defined and measurable.

Traditionally, economic indicators have been predominant in microfinance impact assessments, with assessors particularly focused on measuring changes in income, despite the considerable challenges associated with this. Other frequently used variables include levels and patterns of expenditure, consumption, and assets. Barnes (1996) argues that assets are a particularly valuable indicator of impact, given their relatively stable levels compared to other economic indicators and not being solely based on an annual estimate.

Murdoch (1995) proposes various measures for households to optimize their income, in order to ensure that household consumption does not exceed earned income. Firstly, households can smooth incomes by making conservative production or employment choices and diversifying economic activities, thus preemptively protecting themselves from adverse income shocks. Secondly, households can smooth consumption by utilizing borrowing and saving, adjusting labor supply, and engaging in formal and informal insurance arrangements. These mechanisms come into play after shocks occur, helping insulate consumption patterns from income variability.

Similarly, Townsend et al. (2002) conducted research in Thailand, focusing on analyzing the impact of microfinance institutions on households. They examined variables such as asset growth, consumption, entrepreneurship, and job mobility using maximum likelihood functions and two-stage least squares. The estimations were based on household and institutional level data from a survey conducted before the financial crisis in that region, with nineteen variables selected for analysis.

The household-level independent variables used in the regressions included the age of the head, age of the head squared, years of education of the head, male head (dummy), number of adult males in the household, number of adult females, number of children (under 18 years), total wealth squared, customer of formal financial institution (dummy), and member of agricultural organization (dummy). The results indicated a positive impact of microcredit on asset growth and entrepreneurship, demonstrating a significant and positive influence of the program on households (Townsend et al., 2002).

Choudhury (2003) investigated the impact of microfinance predatory lending on consumers, finding that misuse could lead to over-indebtedness. Borrowers, underestimating short-term credit costs, were strategically exploited by lenders concealing information. The study linked lack of

financial education, low income, and overestimation of repayment capacity to over-indebtedness. An ethics code for morally responsible lending was recommended.

Stegman (2003) explored payday lending's growth in low-income communities, highlighting the connection between business practices and perpetual indebtedness. Increased demand and conversion of occasional users into chronic borrowers enhanced the industry's financial performance. However, the report lacked insights into how consumers enter a pattern of repeated borrowing.

Skiba and Tobacman (2007) studied payday loans' impact on borrowing and bankruptcy, revealing a positive relationship between payday loan usage and borrowing activity, as well as bankruptcy. They showed payday lenders didn't improve consumer well-being, suggesting a need for further research on the effect of payday lending.

Morgan and Strain (2007) investigated the debt trap hypothesis associated with payday lending by examining the impact on consumer welfare in states that prohibited payday lending in 2004 and 2005 (Georgia and North Carolina) compared to states without such bans. They discovered that households in Georgia were negatively affected by the ban, evident in increased bounced checks, higher complaints against lenders and debt collectors, and a rise in bankruptcy filings. This implies that the prohibition of payday lending led to a decline in debtor welfare, pushing them towards more expensive alternatives, challenging the argument against payday lending's cyclical debt.

The research by Morgan and Strain (2007) aimed to challenge the negative perception of payday lenders, yet it lacked clarity regarding the employment status of its subjects. The study did not specify whether the results represented consumers from the private sector or public service employees in North Carolina. Consequently, selecting subjects that allow for inferences over a specific population becomes imperative.

Wilson et al. (2008) sought to examine the impact of access to payday loans on individuals facing similar constraints as payday loan customers. They reported that 78% of subjects with access to payday loans benefited from both the existence and subsequent use of these loans during expenditure shocks. However, when the number of loans exceeded a certain threshold (ten), loan users were less capable of absorbing negative shocks compared to individuals without access to payday loans. While the study introduced a novel approach with test and control groups, the

methodology's flaw in overlooking the exact constraints faced by these groups necessitates further research using a method that ensures the validity of the findings.

Broussard et al.'s (2014) study on Payday Loan Use and Consumer Well-Being defined payday loans as small-dollar, high-interest, short-term loans typically extended to lower-income consumers. Focusing on middle-class Americans, their analysis of data from a U.S. bankruptcy court in a Southern district, utilizing multivariate binary logistic regression, revealed that homeownership and annual income equal to or exceeding the median income were associated with a reduced likelihood of using payday loans. The study concluded with implications for social work practice, emphasizing financial capability, asset development, income maintenance, and payday loan regulation.

However, the applicability of Broussard et al.'s (2014) study to the Zambian context is limited due to differences in the definition of middle class between the U.S. and Zambia. Moreover, the study's use of logistic regression to establish complex relationships faces challenges, suggesting that more advanced algorithms like Neural Networks could provide superior results.

Hossain and Wadood (2020) investigated the influence of urban microfinance on the livelihood strategies of slum dwellers in Dhaka, Bangladesh, incorporating insights from both primary and secondary data. The research found a positive impact of urban microfinance on the income of residents across three distinct slums. Beyond income, also observed that microcredit increased overall asset value. The research also reported that 53% of respondents expressed dissatisfaction with the perceived high interest rates with a widespread belief that microcredit interest rates exceed those of formal banking institutions in Bangladesh.

The studies above present a general understanding of the relationship between microfinance and household income, but do not give an in-depth description of how the observed relationship came about. The numbers are precise, but they do not inform much on the tangible effects of microfinance on the welfare of their recipients. Moreover, the investigations above were done outside Africa, there is need to find out how microfinance has fared in the African context and the Zambian context in particular. The research cited below provides clarity on these shortcomings.

In one study**,** Luyirika, (2010) examined how microfinance led to socioeconomic development of women within a community. This research was done in Mpigi Town in Uganda. The sample included fifty (50) women beneficiaries, eight (8) management and staff from MFI and two

officials from the municipal council. Data collection was done using questionnaires and interviews.

It was reported that MFI provided a diverse range of services including insured credit and savings, facilities and banking services. To ensure the clients prudently managed their loans, the MFIs had mechanisms for supervision and monitoring of clients in addition to providing training and skills development. Further support was given to clients in the form of agricultural inputs together with the provision of livestock. The clientele for these MFIs included women's groups as well as individuals who were either self-employed or salary earners or both. Both men and women were catered for. Group collateral was used as a form of security for groups where's as for individuals, the salary or any equivalent asset was used as security (Luyirika, 2010).

With regard to impact, the researcher observed that women who acquired these loans were able to improve their socioeconomic status. They were able to establish and expand new businesses and set up alternative investments. The income realized from these ventures made it possible for women to send their dependents to school, buy household items, acquire land, install solar power for their households and build new houses. These developments enhanced the social status of beneficiaries and increased their capacity to take up leadership roles at both household and community level (Luyirika, 2010).

In spite of these successes, respondents spoke of challenges in their utilization and access of MFI services. The challenges included the small size of amounts availed to them, misappropriation of funds and the diversion of funds to solve unexpected emergencies. The other problems were the high rates of interest, poor returns on investment, insufficient grace period, unrealistic repayment schedules and the risk of property confiscation when the loan is defaulted upon (Luyirika, 2010).

An investigation by Ferka (2011) assessed the impact of microfinance on the livelihoods of women in rural communities based on a case study of Jaman South District, Ghana. The study was largely qualitative and utilized both primary and secondary data. The sample was selected by purposive and convenience sampling while data was collected using two different sets of questionnaires. The researcher reported that MFI had significantly increased access by poor women to low interest credit and had also enhanced their capacity to save. MFI enabled women to establish and develop their petty trading businesses thereby increasing their incomes. This increase in income had positive outcomes for the welfare and livelihood of the women and these included improved health

and nutrition, education for their dependents and acquisition of assets. It also improved women's decision-making power within their households.

The study then recommended for more financial education for women so they can better understand the financial services available to them and how to manage their incomes. Another recommendation was that MFI need to set up more branches in rural areas. Based on the findings, it is recommended that financial education be intensified to educate women on financial services. Also, more MFIs should be encouraged to establish their branches in rural areas (Ferka, 2011).

More evidence was generated by Simba (2013) who assessed the role played by MFI in expanding economic empowerment for women micro-entrepreneurs through loans. The study was a case study of FINCA in Kinondoni Municipal, Tanzania. It sought to establish if small loans contribute to the empowerment of women already engaged in income generating activities. Additionally, it sought to find out the relationship between loans offered by FINCA and the empowerment experienced by their women recipients. A questionnaire was administered to fifty (50) women and one on one interviews were conducted with management and staff at FINCA.

According to the findings, 98% of women entrepreneurs stated that the credit given by FINCA has had a positive impact on their lives. In this regard the loans enabled them to expand their businesses and employ more people in their communities. About 64% of respondents said FINCA had also improved access to financial capital, enhanced their health and nutrition status, and improved their access to education, as well as raising their status in society and boosting their self-esteem. Moreover, the study found a positive Pearson correlation of 0.648 between credits offered by FINCA and women economic empowerment with a coefficient of determination of 0.42 (42%) (Simba, 2013).

It was recommended the women entrepreneurs need more seminars and trainings on how to prudently utilize the loans. There was also a recommendation that the minimum loan given needed to be adjusted to keep pace with existing economic fundamentals such as inflation, taxation changes and so on (Simba, 2013).

Yohane (2020) examined the impact of microfinance services on household income and revealed a substantial reduction of nearly 47% in the income of participating households. The evaluation method underwent thorough scrutiny for covariate balancing, employing standardized bias, t-ratio,

and joint significance level tests. The consistent results pointed to a significant and negative effect of engaging with microfinance services on household income.

Research by Shakir, (2022) examines both qualitative and quantitative studies exploring the effects of microfinance, particularly micro-credit, on impoverished individuals in Kenya. The findings suggest a positive impact of microcredit on the poor, but outcomes vary. Contrary to the notion of microfinance as a universal solution for poverty and women's empowerment, there are potential drawbacks. Microcredit may prove detrimental if funds are used for consumptive purposes instead of future investments, or if businesses fail to generate sufficient profits.

Mengesha and Mishra, (2023) analyzed the impact of microfinance institutions on women's empowerment in Wolaita Zone, southern Ethiopia. The study reported a significantly positive impact of microfinance institutions on various indicators of women's empowerment, including income, savings, consumption, living standards, access to medical facilities, decision-making power, political activity, and the reduction of domestic violence. The study indicated a substantial increase, exceeding 548%, in income, savings, and consumption following participation in microfinance institutions.

Similar observations have been made in the Zambian context. Kalasa, (2014) assessed the role played by MFI in the alleviation of poverty among rural residents. The research looked at the services availed to clients, the number of male and female clients in addition to the existence of any products tailor made for rural women. A total of six (6) rural based MFIs were surveyed and data was collected using semi-structured interviews with key informants (Kalasa, 2014).

The researcher reported that a large percentage of rural dwellers remain underserved by MFI since none of the major firms operated in Luapula and Muchinga Provinces. The firms surveyed deployed gender sensitive lending practices as women were given more concessions than men, since they were more vulnerable. It was observed that 63.5% of women were catered for in comparison to 34.5% of men (Kalasa, 2014).

The MFIs surveys did not demand the signature of a man for a woman to secure a loan. Most of the women favored group loans since these did not require collateral and made them feel more secure in case of default. However, the MFIs did not have any specific products tailor designed for women. Also, over the years there was a marked drop in the number of women customers because MFIs resorted to prioritizing men, in order to get better returns (Kalasa, 2014).

Harpreet and Gurusharan, (2021) examined the impact of microfinance in Zambia, focusing on the residents of the Chipata district. The study yielded various results, including the observation that MFIs positively affect the people of Zambia by elevating household income levels. Notably, it was found that the significant challenge of credit access in the SME sector has been alleviated through the operations of MFIs. Additionally, the study concluded that MFIs play a substantial role in mobilizing savings through accessible and cost-effective saving schemes, contributing to improved capitalization as these savings are reinvested in businesses.

Bwalya, (2019) evaluated the challenges faced by teachers in utilizing microcredit. This was conducted to address the issues of high levels of indebtedness and a growing reliance on borrowing among teachers in Lusaka. The findings indicated that teachers successfully sponsored their own and their families' education, establishing it as a highly beneficial long-term investment. They also used microcredit as capital to start businesses, contributing to both personal prosperity and economic growth. Many teachers reported acquiring assets that improved their living standards, while others managed to build houses for rent or personal residence. Additionally, some teachers credited microloans from MFIs with helping them handle emergencies such as medical or funeral expenses, highlighting the quick response of MFIs in processing loans within 24 hours.

However, the research revealed challenges faced by teachers dealing with MFIs. Many expressed concerns about high and flexible interest rates that increased without clear explanations. A significant number (72%) felt highly indebted to MFIs at some point, leading them to obtain additional loans from other MFIs. Furthermore, not all teachers achieved their intended goals with the acquired credit, as some businesses incurred losses, assets proved less valuable than expected, and funds were sometimes consumed instead of invested. Despite these challenges questioning the relevance of MFIs in society, the research suggested that the positive impacts of microcredit outweighed the negatives, emphasizing its significant relevance to the overall growth of the Zambian economy (Bwalya, 2019).

The investigation conducted by Sichamba (2019) explores the effectiveness of microfinance institution loans in reducing poverty at the household level in Zambia. The findings indicated that 72% of the respondents experienced an improvement in their income and savings after obtaining MFI loans. However, participants expressed concerns about the lack of careful consideration in the loan disbursement process, with loans often provided without ensuring that clients have proper

business plans. Additionally, it was revealed that some borrowers lacked essential entrepreneurial knowledge and skills crucial for their success. These factors primarily contribute to borrowers struggling to repay loans, as some individuals end up consuming the loan amounts instead of using or investing them in their businesses.

Muthuswamy, (2022) assessed the influence of microfinance loans on households running Small and Medium Enterprises (SMEs) in Kalingalinga Compound. The results revealed favorable changes at the household level, such as an increase in household income, enhanced ability to meet household expenses, and improved ownership of durable assets. Overall, microfinance institution (MFIs) loans were identified as making a positive contribution to the overall development of borrowers. Challenges encountered by SMEs in Kalingalinga encompassed a deficiency in entrepreneurial skills among practitioners, as well as challenges related to the adverse impact of the poor national economy and frequent inflation.

2.4 Identification of Knowledge Gaps for the Current Study

A summary of the literature review is as presented below:

AUTHORS	STUDY OBJECTIVE	METHODOLOGY	FINDINGS	CONCLUSION
Townsend et al. (2002)	Analyse microfinance effects on various household variables.	Survey and data analysis	Positive impacts on asset growth and entrepreneurship were found.	Microcredit positively influenced asset growth and entrepreneurship.
Choudhury (2003)	Investigate predatory lending's role in consumer over-indebtedness.	Literature review and analysis	Predatory lending led to over-indebtedness due to hidden costs and lack of borrower understanding.	Predatory lending practices require ethical standards to prevent over-indebtedness.
Stegman (2003)	Examine payday lending's relationship with chronic indebtedness.	Quantitative analysis of lending data	Payday lending expansion correlated with chronic borrowing and debt cycles.	Increased payday lending correlated with chronic borrowing and debt cycles.

Skiba and Tobacman (2007)	Assess payday loan effects on borrowing activity and bankruptcy rates.	Survey and statistical analysis	Payday loan usage correlated with increased borrowing and bankruptcy rates, suggesting limited improvement in consumer welfare.	Payday loans associated with increased borrowing and bankruptcy rates, with limited improvement in consumer welfare.
Morgan and Strain (2007)	Examine the effects of payday lending bans on consumer welfare.	Comparative analysis of states with and without payday lending bans	Bans on payday lending negatively impacted households, leading to increased bounced checks and bankruptcy filings.	Payday lending bans resulted in adverse consequences, challenging perceptions of cyclical debt.
Wilson et al. (2008)	Assess payday loan impacts on individuals facing financial constraints.	Longitudinal survey and regression analysis	Payday loans benefited individuals during financial shocks but had diminishing returns after a threshold.	Payday loans had benefits during financial shocks but became detrimental after a threshold.
Broussard et al. (2014)	Investigate payday loan use among middle-class Americans.	Survey and demographic analysis	Homeownership and higher income levels were associated with reduced likelihood of payday loan use.	Promoting financial literacy and asset development could reduce payday loan reliance among the middle class.
Hossain and Wadood (2020)	Evaluate urban microfinance's impact on slum dwellers in Dhaka, Bangladesh.	Mixed-methods approach including surveys and interviews	Urban microfinance positively impacted income and asset value but faced criticisms for high interest rates.	Urban microfinance improved income and asset value but faced criticisms for high interest rates.
Luyirika (2010)	Examine microfinance's impact on women's socioeconomic development in Uganda.	Mixed-methods approach including surveys, interviews, and case studies	Microfinance empowered women economically, leading to business growth and social status improvement, despite challenges such as small loans and high interest rates.	Microfinance positively impacted women's socioeconomic status, though challenges like high interest rates persisted.
Ferka (2011)	Assess impact of microfinance on livelihoods of rural women in Jaman South District, Ghana	Largely qualitative approach, primary and secondary data, purposive and convenience sampling	Increased access to credit, enhanced savings capacity, impact on business, positive outcomes	Microfinance had significant positive impact on livelihoods, need for intensified financial education and expansion of MFI branches

Simba (2013)	Assess role of MFIs in economic empowerment for women micro-entrepreneurs in Kinondoni Municipal, Tanzania	Case study approach, questionnaire to women entrepreneurs, interviews with FINCA management	Positive impact of loans, business expansion, access to financial capital, societal status improvement, correlation with economic empowerment	Small loans positively impact economic empowerment, need for training and loan adjustment
Yohane (2020)	Assess impact of microfinance services on household income	Thorough evaluation method scrutiny, covariate balancing, data analysis	Substantial reduction in household income, consistent results	Microfinance services associated with substantial reduction in household income
Shakir (2022)	Examine effects of microfinance, particularly micro-credit, on impoverished individuals in Kenya	Qualitative and quantitative methods	Positive impact of microcredit, but varied outcomes, potential drawbacks	Microcredit has positive impacts but also potential drawbacks
Mengesha and Mishra (2023)	Analyze impact of microfinance institutions on women's empowerment in Wolaita Zone, Ethiopia	Mixed methods, qualitative and quantitative approaches	Positive impact on various empowerment indicators	Microfinance institutions significantly empower women in Wolaita Zone
Kalasa (2014)	Assess role of MFIs in poverty alleviation among rural residents in Zambia	Qualitative methods, surveys, interviews with key informants	Gender-sensitive lending, underserved rural areas, need for tailored products for women	MFIs in Zambia serve women but need tailored products for rural women
Harpreet and Gurusharan (2021)	Evaluate impact of MFIs on livelihoods in Chipata district, Zambia	Mixed methods, quantitative analysis with qualitative insights	Positive impact on household income, SME credit access, savings mobilization	MFIs positively impact income, credit access, and savings in Chipata district
Bwalya (2019)	Evaluate challenges faced by teachers in utilizing microcredit in Lusaka, Zambia	Mixed methods, surveys, interviews, focus groups	Microcredit used for education, business, assets, challenges with interest rates	Challenges with microcredit offset by positive impacts on education, business, and assets for teachers in Lusaka
Sichamba (2019)	Investigate effectiveness of microfinance loans in reducing poverty at	Mixed methods, surveys, interviews, focus groups	Positive impact on income and savings, challenges with loan	Microfinance loans positively impact income but face challenges in loan

	household level in Zambia		disbursement and borrower skills	disbursement and borrower skills
Muthuswamy (2022)	Assess influence of microfinance loans on households running SMEs in Kalingalinga Compound, Zambia	Mixed methods, surveys, interviews, focus groups	Positive changes in household income, expenses, and asset ownership	Microfinance loans positively impact household income and expenses in Kalingalinga Compound

Source: Author (2023)

The literature review has demonstrated the need for more wide-ranging, context-specific, and qualitative research that addresses the influence and implementation of microcredit, especially within the rural African and Zambian contexts.

Several authors, including Luyirika (2010), Ferka (2011), Simba (2013), Harpreet and Gurusharan (2021), Hossain and Wadood (2020), Muthuswamy (2022), and Sichamba (2019), have reported positive impacts of microfinance on household income. Luyirika (2010) identified positive outcomes in Mpigi Town, Uganda, such as improved socioeconomic status, business establishment, alternative investments, education, land acquisition, and improved housing. Ferka (2011) observed positive effects in Jaman South District, Ghana, where microfinance increased women's access to low-interest credit, enhanced savings, and improved incomes through petty trading. Simba (2013) noted significant positive impacts of FINCA in Kinondoni Municipal, Tanzania, specifically on women entrepreneurs, with 98% reporting positive effects on their income. Similarly, Harpreet and Gurusharan (2021) found that MFIs positively affect the people by elevating household income levels. Hossain and Wadood (2020) reported a positive impact of urban microfinance on residents' income and overall asset value. In support of this, Muthuswamy (2022) indicated favorable changes at the household level, such as an increase in income, enhanced ability to meet household expenses, and improved ownership of durable assets. Similarly, Sichamba (2019) indicated that respondents experienced an improvement in their income and savings after obtaining MFI loans.

However, in contrast, Choudhury (2003), Stegman (2003), Morgan and Strain (2007), Skiba and Tobacman (2007), Bwalya (2019), and Yohane (2020) found negative impacts of microfinance on household income. Choudhury (2003), Stegman (2003), Morgan and Strain (2007), and Skiba and

Tobacman (2007) revealed a negative impact, highlighting over-indebtedness and misuse of microcredit. To corroborate this Bwalya (2019) reported that most respondents were highly indebted to microfinance institutions, negatively affecting their household income. Yohane (2020) further contributed to the negative narrative by revealing a substantial reduction in household income among participants engaged in microfinance services. The stark contrast in findings among these studies emphasizes the need for comprehensive research to understand the contextual factors influencing these divergent outcomes, providing a more nuanced understanding of microfinance's impact on household income.

Assets serve as a crucial indicator of impact, as argued by Barnes (1996), who emphasizes their stability compared to other economic indicators and the absence of reliance on annual estimates. This perspective underscores the significance of assets in assessing the effects of microfinance interventions. Townsend et al. (2002) further corroborate this view by presenting results indicating a positive impact of microcredit on asset growth and entrepreneurship. Their findings highlight a substantial and positive influence of microfinance programs on households. In line with this, Ferka (2011) illustrates the positive outcomes associated with asset acquisition. The microfinance intervention not only increased women's access to low-interest credit and enhanced savings but also resulted in improved incomes through petty trading. Ferka's recommendations include providing financial education for women and establishing more rural branches of microfinance institutions (MFIs), underscoring the potential for broader positive impacts on asset development. Similarly, Bwalya (2019) reveals that many teachers were able to initiate businesses and build houses through microloans. This signifies the positive role of microfinance in facilitating asset accumulation for individuals, contributing to economic empowerment.

Despite these positive findings, there is a notable research gap in understanding the nuances of microfinance's impact on various types of assets. Barnes (1996) suggests the importance of distinguishing between different asset types to gain a more comprehensive understanding of the program's influence. Further research is needed to explore how microfinance interventions specifically contribute to the acquisition and growth of various assets, such as housing, business ventures, and savings, to provide more targeted and effective financial support. This gap highlights the need for nuanced investigations into the diverse ways in which microfinance impacts asset development, offering valuable insights for program improvement and policy development.

Repayment challenges in the context of microfinance have been extensively examined by various researchers, providing insights into the factors affecting the successful repayment of loans. Choudhury (2003) linked over-indebtedness to a lack of financial education, low income, and an overestimation of repayment capacity. In response to these challenges, the study recommended the establishment of an ethics code for morally responsible lending, emphasizing the need for a more ethical approach in microfinance practices.

Luyirika (2010) identified challenges in the form of insufficient loan amounts, misappropriation of funds by borrowers, high interest rates, and the risk of property confiscation. These challenges point to the complexity of microfinance dynamics and the need for tailored approaches to address specific issues faced by borrowers. Sichamba (2019) also raised concerns about the loan disbursement process, emphasizing the lack of careful consideration and the provision of loans without ensuring that clients have proper business plans. The study also revealed that some borrowers lacked essential entrepreneurial knowledge and skills crucial for their success, leading to difficulties in loan repayment. These findings underscore the significance of borrower preparedness and the need for targeted support in enhancing entrepreneurial skills. Similarly, Muthuswamy (2022) identified challenges, including a deficiency in entrepreneurial skills among practitioners and challenges related to the adverse impact of the poor national economy and frequent inflation.

In spite of these insights, there exists a research gap in understanding the interplay of various factors affecting loan repayment and the development of comprehensive strategies to mitigate repayment challenges. The existing studies provide fragmented perspectives, emphasizing the need for a more holistic understanding of repayment dynamics in microfinance. Future research should focus on exploring the synergies and interactions among different challenges to inform the development of effective interventions and policies in the microfinance sector.

added to the conceptual gaps discussed above the studied reviewed possessed methodological and contextual gaps that may have caused them to understand important aspects of the subject matter. The review highlights the importance of considering context-specific challenges faced by low-income individuals in accessing microcredit. While the studies acknowledge the provision of financial services, they do not provide an in-depth examination of the unique barriers that individuals encounter in different contexts. Therefore, further research is required to shed light on

these challenges and their impact on household poverty in rural areas.

Furthermore, the existing body of research primarily relies on quantitative analyses, emphasizing numerical relationships between variables. Moreover, most of the cited studies were conducted outside of Africa, indicating a scarcity of research specific to the African context, and particularly Zambia. This stresses the need for investigations that explore how microfinance has performed and affected low-income households within these specific regions. Another gap identified in the literature is the depth of impact assessment. While quantitative studies identify relationships between microfinance and household income, they often fall short in providing detailed narratives about the mechanisms through which these observed relationships come about. Hence, there is a need for research that offers richer insights into the pathways and processes through which microfinance impacts its beneficiaries.

2.5 Conceptual Framework of the Study

The conceptual framework for this study is designed to assess the multifaceted impacts of microcredit interventions on poverty alleviation among rural households. This study assessed how microcredit interventions can positively impact various aspects of household financial well-being, ranging from income generation and asset accumulation to loan repayment behavior and financial resilience.

The conceptual framework considers three key variables including Microcredit Utilization (Independent Variable), Household Income (Dependent Variable), Accumulation of Assets (Dependent Variable), and Challenges faced by households in repaying microcredit.

Microcredit Utilization, the independent variable, is defined as the extent to which households make use of microcredit facilities. Quantitatively, it is measured through the frequency of obtaining microcredit per year and the number of years a household has been utilizing microcredit products. Qualitatively, respondents provided descriptions of how they utilized microcredit and how this may have brought new sources of income or alternatively how this placed them in increasing debt spirals.

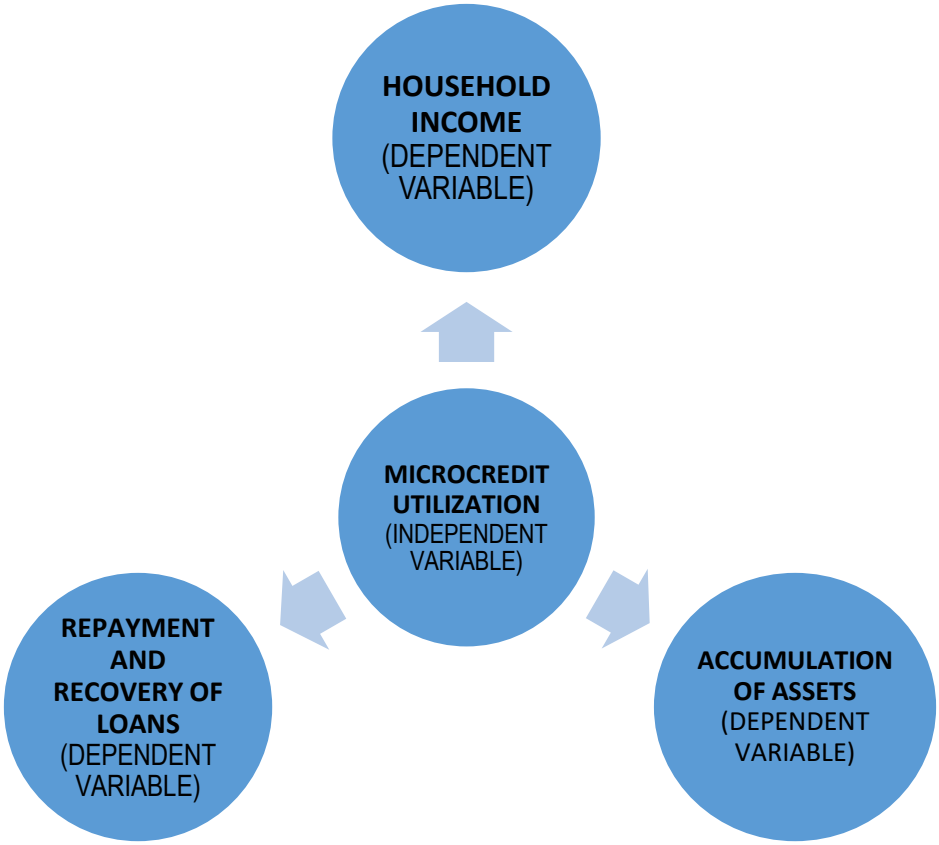

Figure 1: *Conceptual Framework of the Study*

Source: Author (2023)

Household Income, one of the dependent variables, is defined as the change in total income over the previous five years prior to the study. The quantitative measurement involves assessing the frequency and percentage of households that believe microcredit had a positive effect on their income and the percentage and frequency that believed it had diversified their income sources. Accumulation of Assets, another dependent variable, refers to the process of acquiring more assets within a household. Quantitatively, it was measured as the frequency and percentage of households that believe microcredit has increased their capacity to acquire both fixed and non-fixed assets.

Effect on Repayment and Recovery of Loans, the third dependent variable, involves personal, household, and business-related problems that weaken the capacity to repay microcredit. It also covers he challenges incurred by MFIs in recovering the loans. This was qualitatively measured by developing a coding scheme to categorize responses into themes related to challenges. The analysis includes examining theme frequency and relationships observed through open-ended

questions administered under Objective 3. Figure 1 is a diagrammatic representation of how the main variables are interconnected.

The Key Variables are operationalized as indicated in Table 2

Table 1: Definition of Variables

VARIABLE	DEFINITION	MEASUREMENT
Microcredit utilization (Independent Variable)	The extent to which households make use of microcredit facilities.	Quantitative: The frequency of obtaining of microcredit per year The number of years that a household has been using microcredit products. Qualitative Respondents' description of what they used their microcredit for e.g., savings, investment, household requirements, repaying dept. etc.
Household Income (Dependent Variable)	Change in total income for a household over a specified period.	- Quantitative: The frequency of households that believed microcredit had increased the size of their household income.
Accumulation of Assets (Dependent Variable)	The process of acquiring and increasing the value of assets within a household.	- Quantitative The frequency of households that believed microcredit had increased their capacity to purchase fixed assets.
Challenges faced by Households in repaying microcredit.	The personal, household, and business-related problems that weaken the capacity of a respondent to pay back their microcredit.	- Qualitative Develop a coding scheme to categorize responses into themes related to challenges of repayment and recovery of MFI loans.

		Analyze theme frequency and relationships from the open-ended questions administered under objective 3.

Source: The Author, 2023

The conceptual framework proposes that microcredit may enable borrowers to invest in their businesses, leading to higher sales or revenue generation, thus increasing business revenue. Access to microcredit can support the initiation of new income-generating activities, thereby diversifying household income streams. Additionally, microcredit might facilitate skill acquisition or entrepreneurial ventures, resulting in better employment prospects and higher wages. By providing capital for investment or consumption smoothing during economic downturns, microcredit can contribute to overall household financial stability.

Additionally, microcredit enables borrowers to purchase equipment, tools, or inventory for their businesses, enhancing productivity and income generation through the acquisition of productive assets. Access to microcredit can also fund educational expenses, leading to increased human capital and better employment opportunities. Furthermore, microcredit may facilitate the acquisition of assets such as vehicles, machinery, or real estate, which can appreciate in value over time, contributing to long-term wealth accumulation. By supporting investments in agriculture, livestock, or other income-generating activities, microcredit broadens the range of livelihood options available to borrowers.

Moreover, microcredit programs incentivize borrowers to adhere to repayment schedules, fostering financial discipline and creditworthiness, thereby promoting timely repayments. Access to microcredit, coupled with supportive repayment structures, can mitigate the risk of loan defaults, thereby reducing default rates and enhancing the sustainability of lending programs. Successful repayment of microloans builds borrowers' credit profiles, facilitating access to larger loans or financial products in the future, thus strengthening credit history. Moreover, microcredit initiatives often incorporate financial education components, empowering borrowers with the knowledge and skills needed to manage loans effectively and avoid default, thereby improving financial literacy.

Chapter 3

Research Methodology

3.1 Description of the Study Area

Chibombo District, located in Central Province, Zambia, on Coordinates: 14°50′S 27°44′E. The district is comprised of two constituencies, Keembe and Katuba. The administrative center is situated in Chibombo, positioned between the Lukanga Swamp to the west and the termination of the Luangwa Valley to the east. This area encompasses fertile commercial farmland north of Lusaka and is primarily inhabited by small-scale commercial farmers (refer to Figure 2 and 3 for Location and Area Maps respectively).

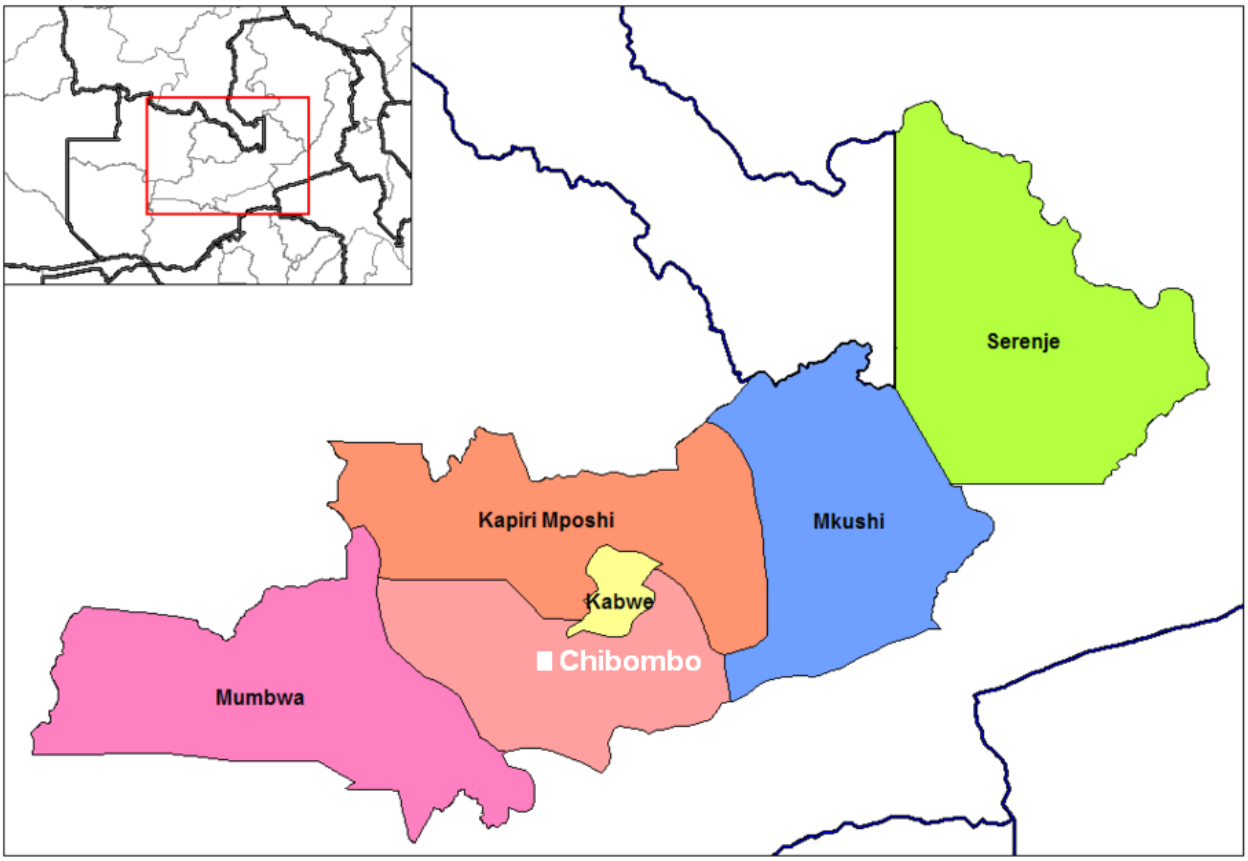

Figure 1: LOCATION MAP OF CHIBOMBO

Source: Wiki Maps

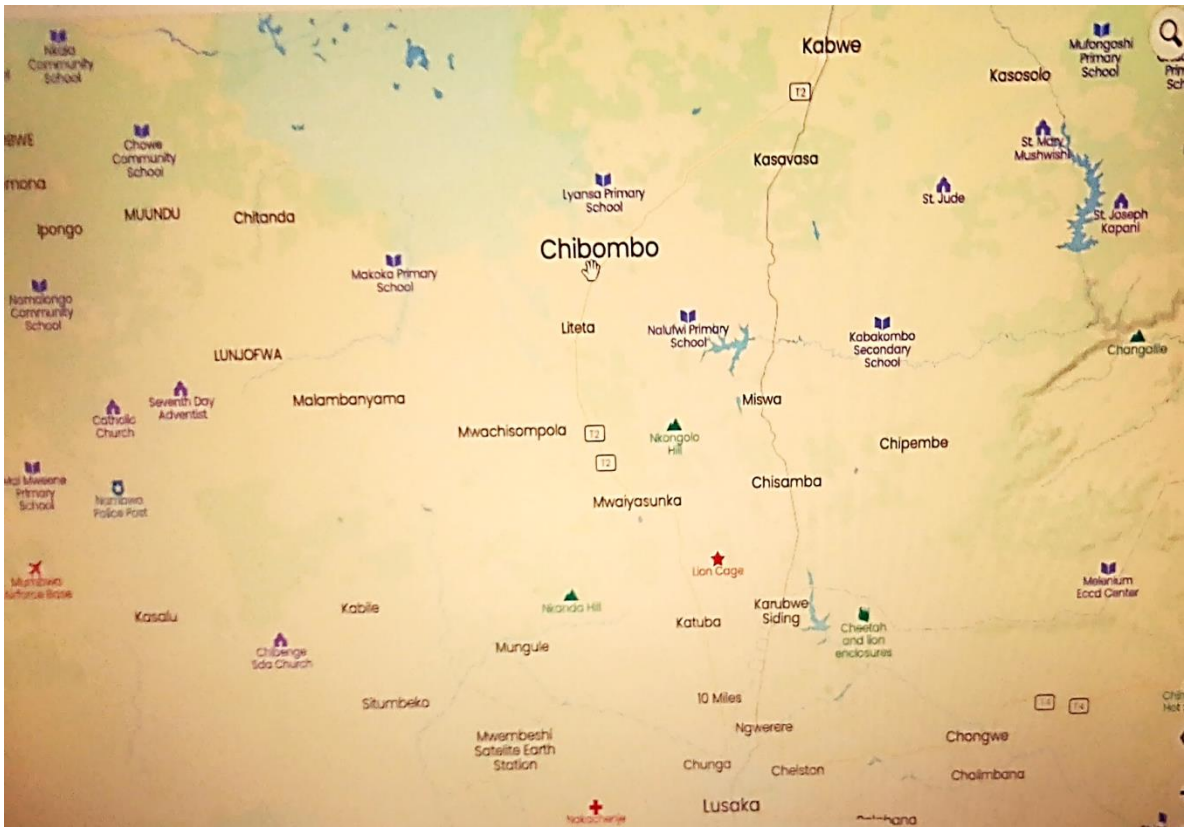

Figure 2: AREA MAP OF CHIBOMBO

Source: Google Maps

3.2 Research Approach

This investigation applied a mixed methods approach. This methodology generated in-depth; context specific qualitative information combined with quantitative data. This information was obtained with an Emic perspective- a perspective that draws insights from subjects who have a first-hand experience of the phenomenon under study (Denzin and Lincoln, 2000). The design is aimed at obtaining a holistic understanding of the subject matter by getting perspectives from three key categories of subjects: Household which have accessed micro credit and MFIs in Chibombo.

3.3 Research Design

This research applied a combination of the Phenomenological and Descriptive Designs. In this regard, it described the role of MFI in reducing household poverty based on an empathetic understanding of the individual respondents, their experiences, and the situational context in which they experience the phenomenon (MacDonald & Headlam, 2010). In applying a descriptive

research design to assess the relationships outlined in the conceptual framework, the study did not manipulate any variables, but observed them in their naturalistic state (MacDonald & Headlam, 2010). This investigation, measured variables related to microcredit usage such as investment in businesses, diversification of income streams, skill acquisition, asset acquisition, repayment behaviour, and financial literacy.

3.4 Study Population

The population for this study included all the residents of Chibombo district whose total population is 421, 315, made up of 208,352 males and 212,963 females (Zambia Statistics Agency, 2022).

3.5 Sample Size

The sample for this study was made up of household heads of 100 households. This number enabled the study to detailed and comprehensive understanding on the subject matter, which was factual and representative of the situation in Chibombo district.

The sample included 100 eligible respondents residing in Lusaka, selected from various areas across the city. A sample size of 100 was deemed sufficient for statistical analysis within a population exceeding 100,000, as indicated by Taherdoost, (2017). The Figure below shows that this sample size ensures a margin of error of 10% in all statistical analyses.

Size of Population	Sample Size (n) for Precision (e) of:			
	±3%	±5%	±7%	±10%
500	a	222	145	83
600	a	240	152	86
700	a	255	158	88
800	a	267	163	89
900	a	277	166	90
1,000	a	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98
6,000	938	375	197	98
7,000	959	378	198	99
8,000	976	381	199	99
9,000	989	383	200	99
10,000	1,000	385	200	99
15,000	1,034	390	201	99
20,000	1,053	392	204	100
25,000	1,064	394	204	100
50,000	1,087	397	204	100
100,000	1,099	398	204	100
>100,000	1,111	400	204	100
a = Assumption of normal population is poor (Yamane, 1967). The entire population should be sampled.				

Figure 3:DETERMINATION OF SAMPLE SIZE BASED ON POPULATION SIZE AND MARGINS OF ERROR

Source: (Taherdoost, 2017)

3.6 Sampling Techniques

The households were selected through stratified random sampling, which is a probability sampling method (Asika, 2000). In this technique, the researcher demarcated Chibombo into four (4) different sections namely Chibombo Main Administrative Area, Liteta, Mwachisompola and Mulambanyama. These sections were the strata. From each stratum 10 households were targeted using simple random sampling. In simple random sampling the researcher obtained a list of the households in each area from the area councilor or district council office based on the assigned plot numbers. This list was used as the sampling frame. The researcher then assigned a random number to each plot. This list was then subjected to a scrambling program in Microsoft excel, which selected a total of 100 households (25 for each of the four sections respectively) from the sampling frame.

This process was necessary to ensure that each household in the sampling frame has an equal, non-zero chance of being selected. Furthermore, it ensured that a randomized sample is created that

can be used to produce valid statistical inferences. Stratified random sampling was done in the manner described (that is geographical areas of residence being used as strata) so as to ensure that the most populous areas of the districts were equally represented in the sample (Asika, 2000).

For participants involved in one-to-one interviews, a combination of purposive and convenience sampling was used. In purposive sampling, the researcher chose participants using subjective judgement solely because they possessed the characteristics of interest to the study. The researcher used maximum variation purposive sampling in order to obtain participants from different back grounds, who are likely to give very diverse perspectives on the subject matter (Zohrabi, 2013). In convenience sampling, the researcher only selected those participants who are available to participate in the study, based on the participants own willingness to take part. These two non-probability sampling methods were adopted because the data derived from them was qualitative and did not require statistical analysis. Rather the motivation was to target information rich sources who are most likely to give in-depth detailed information on the subject matter (Asika, 2000).

3.7 Data Collection Methods

A questionnaire was administered to 100 households. This questionnaire consisted of closed ended questions and also incorporated a 5-point rating Likert scale to gauge the strength of perception on various aspects of the subject matter. This instrument has the advantage of standardization in that all respondents were given exactly the same questions and had to choose from exactly the same options. This enabled comparisons to be made amongst the respondents. Additionally, the closed ended nature of the questions simplifies the process of data analysis and enables the generation of statistics. Moreover, this instrument allows for quick and cost-effective collection of data from a relatively larger sample (Punch, 2006).

The questionnaire also had open-ended questions to probe into how the respondents used their microcredit, the challenges faced in repaying the loans and how this may in turn affect their household financial position. Furthermore, the study held one to one interview with loan officers in order to establish the challenges they faced in recovering the loans. This provided a qualitative perspective on the challenges from the point of view of the service provided rather than just the borrower households.

3.8 Data Analysis

Quantitative data for objectives 1 and 2 were analyzed using descriptive statistics including frequencies percentages and means. It was also analyzed using Linear Regression analysis. Linear regression was also conducted on the data to generate correlations and p-values. These tested the strength and direction correlation as well as to validate the significance of the hypotheses.

The regression model for Objective 1 which Investigates the impact of microcredit on household income is as follows:

$$\mathbf{Y = \beta_0 + \beta_1 X + \epsilon}$$

The dependent variable (Y) was "Size of Household Income" Whereas the independent variable (X) was "Microcredit Utilization."

Regression Model for Objective 2 which Investigates the effect of microcredit on asset accumulation was as follows:

$$\mathbf{Model: Y = \beta_0 + \beta_1 X + \epsilon}$$

The dependent variable (Y) was "Purchase of Moveable Assets." The independent variable (X) was "Microcredit Utilization."

In these models:

- Y represents the dependent variable (e.g., Size Household Income or Purchase of Moveable Assets).
- X represents the independent variable (Microcredit Utilization). • β0 is the intercept of the regression line.
- β_1 is the coefficient indicating the relationship between the independent and dependent variables.
- ϵ represents the error term.

These regression models helped determine the relationship between microcredit utilization and changes in household income and asset accumulation among rural households. The p-value indicated whether there is a statistically significant relationship between microcredit utilization and the dependent variables.

The qualitative data for objective 3 regarding the challenges faced by households in repaying their credit was analyzed through thematic analysis. In thematic analysis, the responses were scrutinized in order to ascertain common themes arising on each question. Responses expressing a common idea were grouped together under one theme. The themes were further scrutinized to map out common patterns and trends (Zohrabi, 2013).

Thematic analysis enabled the investigator to summarize diverse answers arising out of the interviews. As qualitative information was predominantly verbal in nature, therefore thematic analysis was the most appropriate tool to analyze it (Denzin and Lincoln, 2000).

3.9 Ethical Considerations

The study was conducted within the ethical norms of research. Therefore, participants in the research were treated with respect. The information regarding the purpose of the study research was given to the participants so that they were fully aware of the significance of their contributions. Confidentiality was guaranteed in that no names or addresses were used. Also, only the researcher and their assistants were authorized to access the data (Saunders et.al, 2009).

Prospective research participants were given as much information as would be needed to make an informed decision about whether or not they wished to participate in the study. There were no participants who were coerced or unduly enticed to participate in the study. They had to sign consent agreements as a way of registering voluntary participation, based on the information given to them about the aim, methods, risks, and benefits of the research (Saunders et.al, 2009).

The tenet of voluntary participation was observed as no participant was forced to participate in the research and participants were free to withdraw from the research at any stage. Objectivity and value neutrality was observed in that no answer was taken as being right or wrong, but each response was considered without bias, moralistic judgments and irrespective of the researcher's own opinions on the issue.

Chapter 4

Empirical Results

4.1 Introduction

This chapter outlines the findings that were obtained directly from the respondents. The findings consist of both quantitative and qualitative data that answers the specifics research questions of this study.

4.2 Characteristics of the Sample

The investigation included a total of 72 respondents. About 28 participants were not surveyed as they declined to grant their consent to participate in the study. Since informed consent was a core ethical tenet of the study, their wishes were respected. Considering that the original proposal intended to sample 100 subjects, this translates into a response rate of 72 percent. The characteristics of this sample are presented in Table 2.

Table 2: Characteristics of the Respondents

	Frequency	**Percent**
Gender		
Male	42	58.3
Female	30	41.7
Total	72	100.0
Age at Last Birthday		
18-36 Yrs.	47	65.3
37-64 Yrs.	24	33.3
Above 64 Yrs.	1	1.4
Total	72	100.0
Education Level		
No Formal Education	4	5.6
Primary Education	12	16.7
Secondary Education	27	37.5
Tertiary Education	29	40.3
Total	72	100.0
Monthly Income		
Below ZMK 1200	7	9.7
ZMK 1200-4800	35	48.6
ZMK 4801-6800	20	27.8
ZMK 6801-8900	8	11.1
Above 8900	2	2.8

Total	72	100.0

Source: Author (2023)

According to Table 2, the gender distribution among the respondents indicates a higher representation of males, constituting 58.3% of the total respondents, while females account for 41.7%. An analysis of the age distribution among the respondents based on their age at last birthday shows that the data is categorized into three groups: 18-36 years, 37-64 years, and above 64 years. The majority of respondents fall within the 18-36 age group, constituting 65.3% of the total respondents. The 37-64 age group represents 33.3%, and there is a minimal representation of respondents above 64 years, accounting for 1.4%.

The analysis of the highest education level attained by respondents in the survey. The data is categorized into four groups: No Formal Education, Primary Education, Secondary Education, and Tertiary Education. The majority have attained Tertiary Education, constituting 40.3% of the total respondents. Secondary Education is the next most prevalent category at 37.5%, followed by Primary Education at 16.7%. A smaller percentage of respondents, 5.6%, reported having No Formal Education.

The table provides an analysis of the monthly income distribution among respondents in a survey or study. The data is categorized into five income groups: Below ZMK 1200, ZMK 1200-4800, ZMK 4801-6800, ZMK 6801-8900, and Above 8900. The majority fall within the ZMK 1200-4800 income range, constituting 48.6% of the total respondents. Other income categories include Below ZMK 1200 (9.7%), ZMK 4801-6800 (27.8%), ZMK 6801-8900 (11.1%), and Above 8900 (2.8%). The cumulative percentage confirms that all respondents are distributed among these five income categories.

4.3 Utilization of Microcredit

The investigation examined the utilization of microcredit among the respondents. the findings are presented in this section.

Table 3:Utilization of Microcredit Amongst Selected Households

	Mean	Std. Deviation
FREQUENCY OF UTILIZATION OF MICROCREDIT	3.46	.670
NUMBER OF YEARS UTILIZING MICROCREDIT	3.76	1.094
Valid N (listwise)		

Source: Author (2023)

The analysis of respondents' utilization of microcredit focused on the mean and standard deviation of two key variables: Frequency of Utilization of Microcredit and Number of Years Utilizing Microcredit. With respect to Frequency of Utilization of Microcredit, the Mean Value was 3.46 and the Standard Deviation 0.670. Regarding the Number of Years of utilizing Microcredit, the Mean Value was 3.76 and the Standard Deviation was 1.094.

The analysis of microcredit utilization among respondents reveals valuable insights into the patterns and duration of engagement. The mean scores represent the extent to which respondents utilized microcredit. For this reason, the scores were classified on a scale of 1-5 and interpreted as follows:

1. Low Utilization: 1-2.33
2. Medium Utilization: 2.34- 3.67
3. High Utilization:3.68- 5.00

The Frequency of Utilization of Microcredit, with a Mean Value of 3.46 and a Standard Deviation of 0.670, indicates a moderate level of utilization among the participants. This implies that, on average, respondents are moderately engaged in utilizing microcredit. The numerical representation suggests that the respondents are neither extensively dependent on microcredit nor entirely disengaged from its utilization. The Standard Deviation of 0.670 indicates a degree of

variability in the frequency of microcredit usage among respondents, reflecting diverse individual behaviors and practices.

In the case of the Number of Years Utilizing Microcredit, the Mean Value of 3.76 indicates that, on average, respondents have been utilizing microcredit for approximately 3.76 years. This is a high level of utilization. The Standard Deviation of 1.094 highlights a high degree of variability in the duration of microcredit utilization among respondents. This signifies that while the average duration is around 3.76 years, there is a considerable range in individual experiences, with some participants having shorter utilization periods and others having longer ones.

When one calculates the average value of the two means, it is possible to generate a single utilization index, to serve as a quantitative measure of the overall level of Microcredit utilization among the participants. Thus, based on the two means (Frequency=3.46 and Duration=3.76), the Utilization Index is 3.61. These findings demonstrate a medium level of microcredit utilization. These findings collectively depict the varied state of microcredit utilization, reflecting a balance between moderate frequency and diverse durations among the study participants. The varied engagement patterns could be influenced by factors such as individual financial needs, business cycles, and the perceived benefits of microcredit.

4.4 Effect of Microcredit Utilization on Household Income

This section presents data on the effect of microcredit utilization on household income by analyzing the effect on both the size of household income and the diversification of income sources.

Table 4:covariance matrix between microcredit utilization factors and size of household income

		SIZE OF HOUSEHOLD INCOME
Pearson Correlation	HOUSEHOLD INCOME	1.000
	FREQUENCY OF UTILIZATION OF MICROCREDIT	.575
	NUMBER OF YEARS UTILIZING MICROCREDIT	.427
Sig. (1-tailed)	HOUSEHOLD INCOME	.
	FREQUENCY OF UTILIZATION OF MICROCREDIT	.000

	NUMBER OF YEARS UTILIZING MICROCREDIT	.000

Source: Author (2023)

Table 4 reports significant correlations between household income and two key variables related to Microcredit Utilization. First, the Pearson correlation coefficient between the Frequency of Microcredit Utilization and Size of Household Income is 0.575, indicating a moderate positive linear relationship. The associated p-value of 0.000 underlines the statistical significance of this correlation, suggesting that as frequency of microcredit utilization increases, the size of household income rises. Similarly, the correlation between the Number of Years Utilizing Microcredit and the Size Household Income and is 0.427, implying another moderate positive linear relationship. The associated p-value of 0.000 emphasizes the statistical significance of this correlation, indicating that when households utilize microcredit for a longer duration of microcredit utilization the household income tends to increase.

Table 5: Regression model for microcredit utilization versus household income

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
FREQUENCY OF UTILIZATION OF MICROCREDIT	.451	.108	.487	4.175	.000
NUMBER OF YEARS UTILIZING MICROCREDIT	.090	.066	.158	1.353	.181

Source: Author (2023)

The regression model in Table 5 offers insights into the relationships between the dependent variable (Household Income) and two predictor variables: the frequency of utilization of microcredit and the number of years utilizing microcredit. The constant term, representing the estimated intercept when all predictors are zero, is found to be 1.256 with a significant p-value of 0.000, indicating its statistical significance.

Focusing on the predictor variables, the frequency of utilization of microcredit demonstrates a robust association with the dependent variable. The unstandardized coefficient of 0.451 suggests that, on average, a one-unit increase in the frequency of microcredit utilization corresponds to a 0.451 unit increase in the dependent variable. The standardized coefficient (Beta) of 0.487 reinforces the strength and positive direction of this relationship, and the highly significant p-value (0.000) underscores its statistical significance.

In contrast, the number of years utilizing microcredit exhibits a weaker association. With an unstandardized coefficient of 0.090, a one-unit increase in the number of years utilizing microcredit is, on average, associated with a 0.090 unit increase in the dependent variable. However, the non-significant p-value of 0.181 suggests that this relationship does not reach statistical significance at the conventional threshold of 0.05.

In summary, the regression model emphasizes the significance of the frequency of microcredit utilization in predicting the dependent variable, while the relationship with the number of years utilizing microcredit is not statistically significant in this particular model.

Table 6: Model summary- microcredit utilization versus size of household income

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590[a]	.648	.529	.508

a. Predictors: (Constant), Number of years utilizing microcredit, Frequency of utilization of microcredit

Source: Author (2023)

The model summary provides insights into the regression analysis investigating the relationship between the Utilization of Microcredit and the Size of Household Income. The correlation coefficient (R) is computed at 0.590, indicating a moderate positive linear relationship between the two variables. This suggests that there is a discernible positive correlation between the Frequency of Microcredit Utilization and the Size of Household Income.

The coefficient of determination (R Square) stands at 0.648, signifying that approximately 64.8% of the variability observed in the Size of Household Income can be explained by the predictors included in the model. This metric provides a measure of the overall goodness of fit of the

regression model. The adjusted R Square, slightly lower at 0.529, adjusts for the complexity introduced by the predictors, offering a more conservative estimate of the model's goodness of fit.

The standard error of the estimate, calculated at 0.508, represents the average deviation between the actual values and those predicted by the regression model, indicating the accuracy of the predictions. The model predictors include the constant term, the number of years utilizing microcredit, and the frequency of utilization of microcredit. These predictors collectively contribute to explaining approximately 64.8% of the variability observed in the size of household income.

Therefore, the regression model suggests a moderate positive correlation between the utilization of microcredit and the size of household income. The adjusted R Square provides a conservative measure of the model's explanatory power, considering the predictors involved. The standard error of the estimate gauges the predictive accuracy of the model, and the correlation coefficient underscores a positive relationship between the utilization of microcredit and the size of household income.

4.5 Effect of Microcredit on Acquisition of Assets

This section presents information on the role of microcredit in empowering households to acquire Fixed and Nonfixed Assets.

Table 7: correlation analysis between utilization of microcredit and purchase of moveable assets

		PURCHASE OF MOVEABLE ASSETS
Pearson Correlation	PURCHASE OF MOVEABLE ASSETS	1.000
	FREQUENCY OF UTILIZATION OF MICROCREDIT	.353
	NUMBER OF YEARS UTILIZING MICROCREDIT	.181
Sig. (1-tailed)	PURCHASE OF MOVEABLE ASSETS	.
	FREQUENCY OF UTILIZATION OF MICROCREDIT	.001

	NUMBER OF YEARS UTILIZING MICROCREDIT	.065

Source: Author (2023)

Table 7 presents correlations involving the Frequency of Microcredit Utilization and the Purchase of Moveable Assets, as well as the number of years utilizing microcredit and the purchase of moveable assets. Regarding the frequency of microcredit utilization and the purchase of moveable assets, a Pearson correlation coefficient of 0.353 indicates a positive yet relatively weak linear relationship. The highly significant p-value of 0.001 underscores the statistical significance of this correlation, suggesting that an increase in the frequency of microcredit utilization is associated with a positive trend in the purchase of moveable assets.

On the other hand, the correlation between the number of years utilizing microcredit and the purchase of moveable assets yields a Pearson correlation coefficient of 0.181. This indicates a relatively weak positive linear relationship. The marginally significant p-value of 0.065 suggests that this correlation is approaching significance but does not quite meet the conventional threshold of 0.05. Thus, while there is a tendency for a positive association between the number of years utilizing microcredit and the purchase of moveable assets, caution is warranted due to the marginally significant p-value. In summary, the findings indicate a statistically significant positive correlation between the frequency of microcredit utilization and the purchase of moveable assets, while the correlation with the number of years utilizing microcredit is weaker and only marginally significant, necessitating careful interpretation.

Table 8:Regression model for microcredit utilization versus purchase of moveable assets

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
FREQUENCY OF UTILIZATION OF MICROCREDIT	.338	.125	.365	2.701	.009
NUMBER OF YEARS UTILIZING MICROCREDIT	-.012	.077	-.021	-.158	.875

Source: Author (2023)

The regression model depicts the relationships between the dependent variable (Purchase of Moveable Assets) and two predictor variables: the Frequency of Utilization of Microcredit and the Number of Years Utilizing Microcredit. The Frequency of Microcredit Utilization reveals a significant positive correlation, with an unstandardized coefficient of 0.338. This suggests that, on average, a one-unit increase in the Frequency of Microcredit Utilization corresponds to a 0.338 unit increase in the dependent variable. The standardized coefficient (Beta) of 0.365 further emphasizes the strength and positive direction of this relationship. The statistically significant p-value of 0.009 highlights the significance of this association, indicating that the Frequency of Microcredit Utilization is a significant predictor of the dependent variable.

Conversely, the number of years utilizing microcredit exhibits a negligible, negative unstandardized coefficient of -0.012. This implies that, on average, a one-unit increase in the number of years utilizing microcredit is associated with a marginal decrease of 0.012 units in the dependent variable. The standardized coefficient (Beta) of -0.021 provides additional insight into the strength and direction of this relationship. However, the non-significant p-value of 0.875 indicates that the association with the number of years utilizing microcredit is not statistically significant at the conventional threshold of 0.05 in this specific model.

Therefore, the regression model underlines the importance of the Frequency of Microcredit Utilization as a significant predictor of the dependent variable, with a positive and statistically significant relationship. However, the Number of Years Utilizing Microcredit does not exhibit a significant association with the dependent variable in this model.

Table 9: Model summary-utilization of microcredit versus purchase of moveable assets

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.354[a]	.425	.400	.588

a. Predictors: (Constant), Number of years utilizing microcredit, Frequency of utilization of microcredit

Source: Author (2023)

The model summary for the regression analysis examining the association between the utilization of microcredit and the purchase of moveable assets reveals several key findings. The correlation coefficient (R) is computed at 0.354, indicating a weak positive linear relationship between the

two variables. This suggests that there is a positive, albeit modest, connection between the frequency of microcredit utilization and the tendency to purchase moveable assets.

The coefficient of determination (R Square) is 0.425, signifying that approximately 42.5% of the variability in the purchase of moveable assets can be explained by the predictors included in the model. This metric provides insight into the overall goodness of fit of the regression model. The adjusted R Square, slightly lower at 0.400, adjusts for the complexity introduced by the predictors, offering a more conservative estimate of the model's goodness of fit.

The standard error of the estimate, calculated at 0.588, represents the average deviation between the actual values and those predicted by the regression model, indicating the accuracy of the predictions. The model predictors include the constant term, the number of years utilizing microcredit, and the frequency of utilization of microcredit. Together, these predictors collectively contribute to explaining approximately 42.5% of the variability observed in the purchase of moveable assets.

Therefore, the regression model suggests a weak positive correlation between the utilization of microcredit and the purchase of moveable assets. The adjusted R Square provides a conservative measure of the model's explanatory power, considering the predictors involved. The standard error of the estimate gauges the predictive accuracy of the model, and the correlation coefficient underscores a positive relationship between the utilization of microcredit and the propensity to purchase moveable assets.

4.6 Factors that Impair Repayment and Recovery of Microcredit

This section explores diverse challenges in microcredit repayment for households, focusing on utilization effects, overall challenges, and repercussions of loan failure. Additionally, it presents information on the challenges incurred by MFIs in recovering loans from their customers in Chibombo district.

The participants were also asked to explain how they used the money disbursed to them by MFIs. This data is presented under THEME 1

THEME 1: UTILIZATION OF MICROCREDIT

- **When you obtain your loans, what do you use it for?**

RESPONSE 12

…I put the money into my farm…for buying better seeds, fertilizers, and equipment. Sometimes, I use it for irrigation systems to make sure my crops get enough water. The loans have also helped me to buy some more **[livestock]** for my farm. The goal is to increase my harvest so that I can be able to make more money from what is sell from the farm. The loan also helps me get the tools and resources I need to make my farming business more successful.

RESPONSE 41.

I sink the money into my business. I use the money to restock inventory, maybe introduce new products, and sometimes to make repairs and improvements to my shop It's an investment in the growth of my business, hoping that the improvements will bring in more customers and bring me more profit.

RESPONSE 52

…the middle of the month is full of **[financial pressure]** the soft loan helps me to by some things that are needed at home…. sometimes my children need school fees and so I have to get the loan… even in situations when salary is not enough or if it has delayed the loans assist us to survive at home.

RESPONSE 62

I was owing some people and the loan had helped me to pay the people I was owing…

Respondents highlighted diverse uses of microcredit: one invested in farm inputs and livestock to boost agricultural productivity, another directed funds towards business development for inventory and improvements, and others utilized loans to address immediate household needs and settle existing debts. These responses underscore the flexibility of microcredit in supporting a range of economic activities and mitigating individual financial challenges. The themes reveal a strategic

and multifaceted approach to utilizing microcredit for both business growth and household stability.

THEME 2: HOW MICROCREDIT UTILIZATION AFFECTED CAPACITY TO PAY BACK LOANS

- **How has the way you used the loan affected your capacity to pay back that loan?**

RESPONSE 12

…. The goal is to generate more income from the sale of farm products. The loan has increased my farming, so I have almost finished paying it back and maybe i will also get another one….

RESPONSE 41

…once my business starts making more profit it will not be difficult to pay back what I borrowed…I have not played with the money; it has all been for serious business…those who play with their money are the ones who fail to pay but not me.

RESPONSE 52

... the loan just takes way my pressure in the month but I do not think it makes me more money, the only new money that comes is from my salary at the end of the month and this is what I use to pay back the loan....I should just start a business to help me with these pressures….this habit of borrowing every moth is just putting me in more debt.

RESPONSE 62

...there is no new money that I get when because as soon as I receive the money from **[the MFI]** it just goes to paying back those that I owe.... I'm hoping to receive some money next moth that will help me to clear all the people I am owing including **[the MFI].**

RESPONDENT 69

Let me share how this loan changed things for me. I decided to buy some land and started poultry and fish farming…. There is money in these things if you know where to sale.

The loan helped me buy a good piece of land, and on it, I set up a poultry business and fish farming…. the poultry gives me eggs and meat, and the fish farming pumps out fish for sale. The money from these ventures helped me repay the loan but also left some extra for growing the business more. Plus, doing both poultry and fish is like having a backup plan…we cannot all be employees, some of us are just born to be farmers and I think I will get another loan to increase the business I am doing…. I'm not just repaying the loan; I'm growing and looking ahead to more success.

THEME 3: OVERRALL CHALLENGES INCURRED IN REPAYMENT

- **What are the main challenges you encounter when repaying microcredit? Please list them.**

RESPONSE 12:

…. I don't know much about handling money. It's like I wish I had more knowledge to manage my money better you know. And then there's this thing with the weather - it's so unpredictable. Sometimes my crops fail and my income drops making it tough to stick to the fixed repayments. Plus, the interest rates are a bit too much especially because my earnings are up and down.

RESPONSE 27

Being a civil servant in this small town getting this microcredit sorted can be a real problem….my salary comes late sometimes because of all this paperwork…. This disturbs my plans to pay right on time…. The cost of living is also going up and this means I have so many bills to pay. Family emergencies make things worse because money meant for paying back can get used up in no time…. If there was a more flexible plan

things would be much easier.

RESPONSE 41

I run a small shop and let me tell you paying back these loans is not something easy. Business is sometimes up, sometimes down. If it goes down, it's hard to make the repayments on time. Also, there's no local bank nearby so I've had to travel a lot to deal meet with [officers from the micro lender]. It costs me extra money and sometimes I have to choose between that and paying back on time. If things were a bit more straightforward like maybe having a bank close by it would make life much easier.

RESPONSE 44

Being a rural civil servant paying back microcredit has its challenges....my salary doesn't come early…. I run a small grocery …. the high interest rates don't help either especially when business is slow…. we need to be given more time to pay…. I would also like if they allowed us to pay in smaller installments especially in January when we have so many bills to pay.

- **How adequate is the loan amount received for improving your capacity to generate more income? How has this affected your capacity to repay the loan?**

RESPONSE 14

The loan sometimes feels like it's not quite enough…. I got the money for my farm, but I wish I could have a bit more. It's hard to make big improvements with what I got and because of that it affects how I can pay back the loan. If I had a bit more to invest in my farm could do even better and repaying would be easier. But right now, it's quite challenging trying to balance everything with what I have.

RESPONSE 29

The loan I got for my small business was helpful no doubt. It gave me a boost but sometimes I feel like it's just barely enough. I had plans to expand but with this amount it’s a bit impossible to do. With a larger amount I could do more for my business and repaying would be smoother. Right now, it's like I'm stretching every ngwee to make things work.

RESPONSE 46

When I got the loan, it helped with my small shop. But I'll be honest; the amount wasn't exactly what I hoped for. I had plans to stock up more and maybe even renovate a bit. The current amount is somehow okay, but it limits how much I can grow. If the loan was more my business could really take off and repaying wouldn't be such a challenge.

RESPONSE 61

The loan I received for my small trading business was a help but there are times when I feel it's not quite enough. I wanted to diversify my products and maybe expand the shop a bit. With the current amount it's a bit tight to make those big moves. And because of that paying back the loan can be challenging. If I had a bit more, I could really improve my business and repaying would be less stressful. Right now, it's like I'm juggling to keep everything in balance.

RESPONSE 65

Getting the loan for my small-scale farming was a boost no doubt. But the amount isn't always enough for the big changes I want to make. I had plans for better equipment and more crops…. But with what I got I just need to prioritize…they should increase the loan amount.

- **How feasible have you found the repayment terms with respect to payment schedule? How has this affected your capacity to pay back the loans?**

RESPONSE 18

…the payment schedule is not enough; we need more time. I understand that these companies **[MFIs]** need a plan on getting their money, but they must also think about our needs…. It's not always easy to match it **[repayment schedule]** with my income from farming. There are times when the schedule doesn't quite match with when I make money from selling my harvests. This makes it difficult to payback on time… I need a bit more flexibility in the payment dates.

RESPONSE 32

….it is true that our lenders need their money back on time. But there are months when business is slow, and when this happens, we may have problems in meeting the payment schedule… if the payment dates were a bit more flexible, I could manage it better.

RESPONSE 49

I wanted something that matches the flow of my business… But the fixed dates do not always meet with when I get money coming in…. It affects my capacity to pay back because I have to be really careful with the budget to stick to the schedule.

RESPONSE 51

…. Some months are better than others. So, it affects how I pay back the loan because there are moments when I wish I had a bit more leeway with the payment dates.

- **How feasible have you found the repayment terms with respect to the interest rate? How has this affected your capacity to pay back the loans?**

RESPONSE 18

The interest rate tied to my loan is like a constant weight because, with the ups and downs in farming income, covering the interest can be tricky. It affects my capacity to pay back because there are times when I feel like I'm stuck in this loop of repaying interest without making proper progress….

RESPONSE 20

…. the interest rates are a bit on the high side for me. This affects my ability to pay back because it's not always easy to cover the loan and the interest, especially during slower months. If the rate was a bit lower, it would take off some of the pressure.

RESPONSE 37

… I appreciate the support, but the interest eats into my profits, making it harder to repay. There are moments when I feel like I'm working more for repaying than for growing my business.

RESPONSE 39

Feasibility-wise, the interest rate on my small business loan is a bit of a challenge… a large chunk of my earnings goes straight to paying interest. I thought the loan would help me make more money, but it's a bit hard to break even when a good portion goes into interest…with the high rate, it feels like I'm not making much progress in clearing the actual loan amount.

RESPONSE 48

The rate feels high for my trading business, especially during months when things are slow. If the interest rate was a bit more reasonable, it would definitely ease the burden and give me a better chance to grow my business.

- **How has the failure to repay these loans affected the financial situation of your household?**

RESPONSE 19

Not being able to repay these loans has badly affected our household finances. The missed payments add up, and it puts us in more debt. It's stressful because we end up using whatever we have for paying back the loan and little is left over for our household needs….

RESPONSE 38

The failure to repay these loans has a real impact on our household. It's not just about the immediate penalties; it's the long-term stress. The missed payments mean we're accumulating more debt, and that puts a strain on our budget. It affects our ability to save or plan for the future. Our financial situation has gotten worse because of these loans….

RESPONSE 42

Falling behind on these loan repayments has been a source of stress for me and my wife…we're in a constant catch-up mode, and that affects our ability to cover everyday expenses…. it's challenging to make progress when we're dealing with the consequences of not being able to repay.

RESPONSE 59

It's tough to plan for anything when you're dealing with the problem of not being able to repay. Our financial situation is always hand to mouth as we have to concentrate on payments for the loan…. it's been an uphill battle to stabilize things.

THEME 4: CHALLENGES FACED BY MFIs IN RECOVERING LOANS

Key informants from MFI X were queried about their firm's challenges in loan recovery. According to one credit officer, three major issues affect loan recovery: uncooperative customers, the high cost and lengthy process of legal execution, and the liquidity of assets. The credit officer detailed difficulties with uncooperative customers, highlighting instances where debtors evade communication, block social media, and even make threats. Another credit officer emphasized the complexities and unseen legal problems in the process of seizing physical assets due to contract infringements.

Regarding client default patterns, key informants noted that all types of loans pose challenges for recovery, emphasizing the necessity for thorough client scrutiny to prevent bad debts. The study found that loan defaults result from factors such as unwillingness to pay, fund diversion, wilful negligence, and improper appraisal by credit officers. One credit officer linked payday loan defaults to economic factors like inflation, interest rate hikes, and exchange rate depreciation.

Existing measures to minimize loan defaults in MFI X include collateral pledging, third-party credit guarantee, credit rating, and collection agencies. Key informants suggested preventive measures, such as conducting comprehensive credit risk analyses, monitoring repayments, and renegotiating loans for customers facing difficulties. They advocated for a monitoring system that promptly highlights repayment issues and stressed the significance of proper and adequate appraisal in minimizing loan defaults. Recommendations included assessing borrowers based on capital, character, capability, purpose, amount, repayment, term, and security. The time taken for creditworthiness assessment was deemed crucial, with informants arguing that a longer assessment period is more beneficial.

4.7 Chapter Summary

Chapter 4 presented findings on microcredit utilization and its influence on income and asset accumulation, and the challenges faced during the repayment process. The examination centers around two pivotal variables: The Frequency of Utilization of Microcredit and the Number of Years Utilizing Microcredit. Findings reveal a mean frequency of 3.46 and a standard deviation of 0.670. On average, participants have been utilizing microcredit for about 3.76 years, as indicated by a mean value of 3.76 and a standard deviation of 1.094.

The impact of microcredit utilization on household income reveals significant correlations in the covariance matrix, indicating a moderate positive relationship between the frequency of microcredit utilization and the size of household income ($r = 0.575$), and between the number of years utilizing microcredit and the size of household income ($r = 0.427$), both statistically significant ($p < 0.001$). In the regression model, the frequency of microcredit utilization shows a robust positive association with household income, with an unstandardized coefficient of 0.451, suggesting a 0.451 unit increase in household income per one-unit increase in microcredit utilization frequency. The standardized coefficient (Beta) of 0.487 confirms the strength of this relationship. Conversely, the number of years utilizing microcredit exhibits a weaker, non-significant association ($p = 0.181$). A supplementary regression model focusing on the size of household income reaffirms the positive correlation ($R = 0.590$) and indicates that approximately 64.8% of the variability in household income size can be explained by the predictors.

With respect to the impact of microcredit utilization on asset acquisition, correlations show a positive yet weak relationship ($r = 0.353$) between the frequency of microcredit utilization and the

purchase of moveable assets, with a highly significant p-value of 0.001. The correlation between the number of years utilizing microcredit and asset acquisition is 0.181, indicating a weaker positive relationship with a marginally significant p-value of 0.065. The regression model further emphasizes the positive correlation, with the frequency of microcredit utilization serving as a significant predictor (unstandardized coefficient = 0.338, p = 0.009), while the number of years utilizing microcredit does not exhibit statistical significance (p = 0.875). The model summary suggests that approximately 42.5% of the variability in the purchase of moveable assets can be explained by the predictors.

In exploring the challenges faced during microcredit repayment, respondents mention financial knowledge gaps, weather-related uncertainties impacting crop yields, fluctuating incomes, delayed salaries, and high-interest rates. The adequacy of the loan amount emerges as a significant factor influencing successful repayment, with some expressing that the loans are insufficient for meaningful improvements. Challenges with the fixed payment schedule and high-interest rates underscore the need for more flexible terms to align with income fluctuations. The failure to repay microcredit has profound consequences on household finances, leading to accumulated debt, stress, and strained budgets.

MFI X faces challenges in loan recovery, with three major issues affecting recovery: uncooperative customers, the high cost and lengthy legal execution process, and asset liquidity. Uncooperative customers often evade communication, block social media, and make threats. Seizing physical assets due to contract infringements is also a complex process. Loan defaults are influenced by factors such as unwillingness to pay, fund diversion, willful negligence, and improper appraisal by credit officers. Economic factors like inflation, interest rate hikes, and exchange rate depreciation are linked to payday loan defaults. Existing measures to minimize loan defaults include collateral pledging, third-party credit guarantee, credit rating, and collection agencies. Preventive measures include conducting comprehensive. The findings of this chapter offer a robust foundation for understanding the multifaceted dynamics affecting the effectiveness of microcredit.

Chapter 5

Discussion of the Findings

5.1 Introduction

Chapter 5 discusses of the findings, with respect to various aspects related to microcredit utilization, its effects on household income, asset accumulation, and the challenges of payment among households in Chibombo District. The chapter interprets the significance of the findings as well as their practical implications in the context of microcredit and its role in reducing household poverty in the district.

5.2 Effect of Microcredit on Household Income

The findings regarding the impact of microcredit utilization on household income appear to validate the positive impacts reported by several authors cited earlier, such as Luyirika (2010), Ferka (2011), Simba (2013), Harpreet and Gurusharan (2021), Hossain and Wadood (2020), Muthuswamy (2022), and Sichamba (2019). The significant positive correlations observed in the covariance matrix support the notion that increased frequency of microcredit utilization and the number of years utilizing microcredit are associated with larger household incomes. Specifically, the moderate positive relationship ($r = 0.575$) between the frequency of microcredit utilization and household income, as well as the statistically significant relationship ($p < 0.001$) with a robust unstandardized coefficient (0.451) in the regression model, underscores a positive association between microcredit activities and higher household income.

These findings corroborate the positive impacts highlighted in the cited literature, where microfinance interventions were linked to improved socioeconomic status, business establishment, alternative investments, and overall income enhancement. The supplementary regression model further strengthens this correlation by indicating that a substantial proportion (approximately 64.8%) of the variability in household income size can be explained by the predictors, emphasizing the significance of microcredit utilization in influencing household income.

Conversely, the weaker and non-significant association ($p = 0.181$) observed between the number of years utilizing microcredit and household income deviates slightly from the overall positive trend. This deviation may suggest that, while the frequency of microcredit utilization is strongly

associated with higher income, the duration of microcredit use may not have a statistically significant impact on household income in this particular study. This nuanced finding underscores the importance of considering various factors when assessing the relationship between microfinance and household income, as highlighted by the contrasting views presented in the literature.

5.3 Asset Accumulation

The findings regarding the impact of microcredit utilization on asset acquisition, as presented, provide both validation and deviation from the perspectives of the authors cited above. The positive yet weak relationship ($r = 0.353$) between the frequency of microcredit utilization and the purchase of moveable assets corroborates the positive impacts highlighted by Barnes (1996), Townsend et al. (2002), Ferka (2011), and Bwalya (2019) regarding the positive influence of microfinance on asset growth and entrepreneurship. The highly significant p-value of 0.001 further reinforces the statistical significance of this positive relationship, suggesting that increased microcredit utilization is associated with a higher likelihood of acquiring moveable assets.

On the other hand, the weaker positive relationship (correlation = 0.181) between the number of years utilizing microcredit and asset acquisition, along with a marginally significant p-value of 0.065, deviates slightly from the overall positive trend observed in the literature. This finding suggests that, unlike the frequency of microcredit utilization, the duration of engagement with microcredit may not have a consistently strong and statistically significant impact on the acquisition of moveable assets. This result highlights the need to consider the time dimension in understanding the relationship between microfinance and asset acquisition, as different factors may come into play over time.

The regression model supports the positive correlation observed in the correlation analysis, emphasizing the frequency of microcredit utilization as a significant predictor (unstandardized coefficient = 0.338, $p = 0.009$), while the number of years utilizing microcredit does not exhibit statistical significance ($p = 0.875$). The model summary indicates that approximately 42.5% of the variability in the purchase of moveable assets can be explained by the predictors. This aligns with the general positive narrative presented by the authors cited above, emphasizing the role of microfinance in facilitating asset accumulation.

5.4 Challenges Faced by Households in Repaying Loans from MFIs on

The exploration of challenges encountered during microcredit repayment indicate a range of issues that resonate with findings from various researchers. Respondents highlighted financial knowledge gaps, weather-related uncertainties impacting crop yields, fluctuating incomes, delayed salaries, and high-interest rates as key challenges. Notably, the adequacy of the loan amount emerged as a significant factor influencing successful repayment, with some expressing dissatisfaction that the loans were insufficient for meaningful improvements. Moreover, challenges associated with fixed payment schedules and high-interest rates underscored the need for more flexible terms to align with income fluctuations. The consequences of loan default were found to be profound, leading to accumulated debt, stress, and strained budgets for households. These identified challenges align with the issues emphasized by Choudhury (2003), who linked over-indebtedness to a lack of financial education, low income, and an overestimation of repayment capacity. Additionally, the findings align with the concerns raised by Luyirika (2010) regarding insufficient loan amounts and misappropriation of funds, and with Sichamba's (2019) emphasis on the importance of careful consideration during the loan disbursement process. Furthermore, the challenges faced by MFI X in loan recovery, including uncooperative customers, a lengthy legal execution process, and issues with asset liquidity, provide a real-world perspective on the difficulties faced by microfinance institutions. These findings offer a basis for understanding the challenges inherent in microcredit repayment and show the need for wide-ranging strategies to enhance the effectiveness of microfinance interventions.

5.5 Chapter Summary

The findings regarding the effect of microcredit on household income align with the positive impacts reported by various authors, emphasizing a positive association between microcredit activities and higher household income. The nuanced deviation concerning the number of years utilizing microcredit suggests the importance of considering temporal factors, showcasing the need for a comprehensive understanding of contextual influences. In terms of asset accumulation, the study validates positive impacts of microfinance on asset growth, with a significant relationship between the frequency of microcredit utilization and the purchase of moveable assets. However, the weaker relationship observed with the number of years utilizing microcredit deviates slightly from the literature, highlighting the need to consider the time dimension in understanding the

microfinance-asset acquisition relationship. The regression model supports a positive correlation with the frequency of microcredit utilization as a significant predictor, emphasizing the role of microfinance in facilitating asset accumulation.

The exploration of challenges in loan repayment portrays a range of issues, including financial knowledge gaps, weather-related uncertainties, and dissatisfaction with loan amounts. These challenges align with existing literature, emphasizing the multifaceted dynamics within microcredit repayment. The study underscores the significance of flexible terms to align with income fluctuations and highlights the profound consequences of loan default on households, aligning with the concerns raised by previous authors.

Chapter 6

Conclusions and Recommendations

6.1 Introduction

This chapter outlines the conclusions and recommendations of the investigation as well as suggestions for future research. These have been derived from the findings of the study and their possible implications with respect to how microcredit impacts household poverty.

6.2 Summary of Findings

The study was carried out to investigate the effect of microcredit on poverty reduction among low-income rural households. The following specific objectives were addressed: 1) To investigate how microcredit affects household income amongst rural households; 2) To investigate how microcredit affects asset accumulation amongst rural households; and 3) To assess the factors that impair the repayment and recovery of microcredit.

The study provided both quantitative and qualitative findings on the utilization of microcredit and its impact on income, asset accumulation, and challenges during repayment. The study focused on two key variables: the Frequency of Microcredit Utilization and the Number of Years Utilizing Microcredit.

The analysis of the impact of microcredit on household income revealed significant correlations, with a moderate positive relationship between the frequency of microcredit utilization and household income ($r = 0.575$), and between the number of years utilizing microcredit and household income ($r = 0.427$), both statistically significant ($p < 0.001$). The regression model confirmed a positive association between the frequency of microcredit utilization and household income, with an unstandardized coefficient of 0.451. Conversely, the number of years utilizing microcredit showed a weaker, non-significant association ($p = 0.181$). The supplementary regression model reinforced the positive correlation, explaining approximately 64.8% of the variability in household income.

Concerning the impact on asset acquisition, correlations indicated a positive yet weak relationship ($r = 0.353$) between the frequency of microcredit utilization and the purchase of moveable assets, with a highly significant p-value of 0.001. The correlation with the number of years utilizing

microcredit was 0.181, indicating a weaker positive relationship with a marginally significant p-value of 0.065. The regression model highlighted the positive correlation, with the frequency of microcredit utilization as a significant predictor (unstandardized coefficient = 0.338, p = 0.009), while the number of years utilizing microcredit did not exhibit statistical significance (p = 0.875), explaining approximately 42.5% of the variability in asset acquisition.

In exploring challenges during microcredit repayment, respondents identified financial knowledge gaps, weather-related uncertainties, fluctuating incomes, delayed salaries, and high-interest rates. Inadequate loan amounts were a significant factor influencing successful repayment, with challenges in fixed payment schedules and high-interest rates emphasizing the need for more flexible terms. The failure to repay microcredit had profound consequences, leading to accumulated debt, stress, and strained budgets.

MFI X faced challenges in loan recovery, including uncooperative customers, a costly legal execution process, and issues with asset liquidity. Measures to minimize loan defaults included collateral pledging, third-party credit guarantees, credit ratings, and collection agencies. The findings provided a robust foundation for understanding the multifaceted dynamics affecting the effectiveness of microcredit.

6.3 Conclusion

In conclusion, this study has provided empirical clarity into the dynamics of microcredit utilization and its impacts on household poverty. The sustained involvement of participants, averaging approximately 3.76 years, underscores the enduring nature of their relationship with microcredit. The positive relationship observed between microcredit utilization and household income indicates that microcredit enhances household income. However, the nuanced deviation with respect to the number of years utilizing microcredit highlights the importance of considering temporal factors. It reiterates the need for a comprehensive understanding of contextual influences, that shape the relationship between utilization of microcredit and household income.

Furthermore, the study has confirmed the overall positive impact of microfinance on asset acquisition. However, the varied results related to the duration of microcredit utilization suggest that the relationship between microfinance and asset development may vary over time. These nuanced insights contribute to a more thorough understanding of the diverse ways in which

microfinance interventions influence asset acquisition, supporting the call for detailed investigations into these dynamics.

Additionally, the exploration of microcredit repayment challenges reveals crucial issues such as financial knowledge gaps, weather-related uncertainties, and dissatisfaction with loan amounts. The challenges associated with fixed payment schedules and high-interest rates emphasize the necessity for more flexible terms to accommodate income fluctuations. The consequences of loan default, including accumulated debt and stress, highlight the importance of addressing these challenges for the well-being of participants. These findings provide a foundation for future studies and policy considerations aimed at enhancing the effectiveness and sustainability of microfinance programs.

6.4 Recommendations for MFIs

1. MFIs should tailor their loans to the specific needs and circumstances of borrowers. Moreover, MFIs should conduct thorough assessments to understand the unique requirements of their clients. This involves considering the purpose of the loan, the income-generating potential of the proposed activities, and the overall financial capacity of the borrower. By tailoring loan products to diverse needs, MFIs can enhance the chances of successful repayment and positive outcomes for borrowers.
2. Resolving the identified challenges, particularly the lack of financial knowledge among borrowers, requires proactive measures. MFIs should integrate comprehensive financial education programs into their microcredit initiatives. Workshops, resources, and training sessions covering budgeting, financial planning, and business management can empower borrowers to make informed decisions. By enhancing financial literacy, MFIs contribute to the sustainable success of income-generating activities and improve the overall financial well-being of their clients.
3. Recognizing the dynamic nature of income streams and the challenges posed by fixed payment schedules and high-interest rates, MFIs should implement flexible repayment structures. This involves designing repayment plans that align with the natural income cycles of borrowers, reducing the risk of missed payments during slower months. Additionally, MFIs should explore innovative risk mitigation strategies, such as weather-indexed insurance for agricultural borrowers, to provide a safety net during unforeseen

challenges. By adopting flexible and risk-conscious approaches, MFIs can enhance the resilience of their clients and promote successful and sustainable microcredit utilization.

6.5 Suggestions for Further Studies

The study proposes the following issues for future research.

1) Future research could delve into exploring and evaluating innovative risk mitigation strategies within the microcredit landscape. This may involve studying the effectiveness of emerging financial tools, such as weather-indexed insurance or other risk-sharing mechanisms, in safeguarding borrowers against unforeseen challenges. Understanding how these strategies impact repayment rates, particularly in sectors vulnerable to external factors like agriculture, could provide valuable insights for designing more resilient microcredit programs.
2) Given the significance of financial knowledge in successful microcredit utilization, future research could focus on conducting longitudinal studies to assess the long-term impact of financial education programs. This would involve tracking participants over an extended period to measure the lasting effects of financial literacy on their financial behaviour, investment decisions, and overall economic well-being. Such research could contribute to refining financial education approaches and enhancing their effectiveness in empowering microcredit borrowers.
3) The integration of technology in financial services has been transformative, and future research could explore its role in innovating microcredit delivery and repayment processes. This may involve investigating the impact of digital platforms, mobile banking, or blockchain technology on the accessibility, efficiency, and transparency of microcredit services. Understanding how technology can address challenges and improve the overall microcredit experience for both MFIs and borrowers is crucial in shaping the future of inclusive financial practices.

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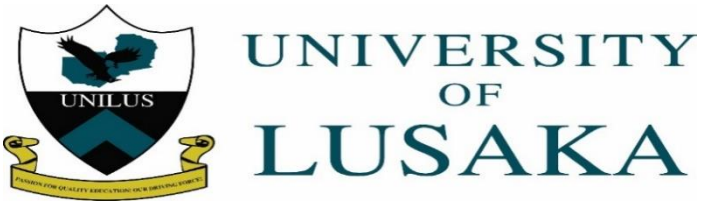
Appendices

Appendix 1: Survey Questionnaire for Household Heads in Chibombo



SCHOOL OF POST GRADUATE STUDIES

TOPIC: THE ROLE OF MICROCREDIT IN POVERTY REDUCTION AMONG RURAL HOUSEHOLDS IN CHIBOMBO DISTRICT

Dear Respondent,

My name is Mary Nsofwa Chileshe. I am a student at the University of Lusaka in the school of Post Graduate studies and currently undertaking research on the above topic.

You have been selected randomly and purposively to participate in this research, kindly note that your views will represent others that have not been selected in this study. Be assured that that data being solicited here will be put to good while keeping the utmost confidentiality as we process the data. Your cooperation is highly appreciated.

Note: Please answer the following questions to the best of your knowledge. Your responses will contribute to the understanding of the role of microcredit in poverty reduction among rural households in Chibombo District

SECTION A: DEMOGRAPHIC INFORMATION

1) Gender:

Male [ ]

Female[ ]

2) Age at Last birthday:

BELOW 18 [ ]

18-36 YRS [ ]

37-65 YEARS [ ]

ABOVE 65 YEARS [ ]

3) Education Level:

No formal education [ ]

Primary education [ ]

Secondary education [ ]

Tertiary education [ ]

4) Monthly Household Income Level:

Less than ZMK 1200 [ ]

ZMK 1200-4800 [ ]

ZMK 4801- 6800 [ ]

ZMK 6801-8900 [ ]

ABOVE K8900 [ ]

SECTION B: MICROCREDIT UTILIZATION AMONG HOUSEHOLDS IN CHIBOMBO

5) **How frequently do you utilize microcredit services for financial support?**

1. Never [ ]
2. Rarely [ ]
3. Occasionally [ ]
4. Frequently [ ]
5. Very frequently [ ]

6) **For how long have you been utilizing microcredit services?**

1. Less than 6 months [ ]
2. 6 months to 1 year [ ]
3. 1 to 2 years [ ]
4. 2 to 5 years [ ]
5. More than 5 years [ ]

SECTION C: MICROCREDIT AND HOUSEHOLD INCOME

Please rate the following statements based on your experience:

7) **Microcredit has increased the size of our household's income.**

1. Very Strongly Disagree [ ]
2. Strongly Disagree [ ]
3. Moderately Agree [ ]
4. Strongly Agree [ ]
5. Very Strongly Agree [ ]

8) **Microcredit has helped diversify our household's income sources.**

1. Very Strongly Disagree [ ]
2. Strongly Disagree [ ]

3. Moderately Agree [ ]
4. Strongly Agree [ ]
5. Very Strongly Agree [ ]

SECTION C: MICROCREDIT AND ASSET ACCUMULATION

9) Microcredit has enabled our household to acquire moveable assets (e.g., machinery, vehicles, livestock, agricultural inputs).

1. Very Strongly Disagree [ ]
2. Strongly Disagree [ ]
3. Moderately Agree [ ]
4. Strongly Agree [ ]
5. Very Strongly Agree [ ]

10) Microcredit has facilitated growth in fixed assets (such as housing and land ownership).

1. Very Strongly Disagree [ ]
2. Strongly Disagree [ ]
3. Moderately Agree [ ]
4. Strongly Agree [ ]
5. Very Strongly Agree [ ]

SECTION D: CHALLENGES IN MICROCREDIT REPAYMENT

11)When you obtain your loans, what do you use it for?

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12)How has the way you used the loan affected your capacity to pay back that loan?

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13)What are the main challenges you encounter when repaying microcredit? Please list them.

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14)Describe the adequacy of the loan amount received concerning your household's income generation capacity. How has this affected your capacity to repay back the loan?

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15)How feasible have you found the repayment terms with respect to payment schedule? How has this affected your capacity to pay back the loans?

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16)How feasible have you found the repayment terms with respect to the interest rate? How has this affected your capacity to pay back the loans?

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17) How has the failure to repay these loans affected the financial situation of your household?

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THANK YOU

Appendix 2: Interview Guide for Loan Officers from MFI X

UNIVERSITY OF LUSAKA

SCHOOL OF POST GRADUATE STUDIES

TOPIC: THE ROLE OF MICROCREDIT IN POVERTY REDUCTION AMONG RURAL HOUSEHOLDS IN CHIBOMBO DISTRICT

Dear Respondent,

My name is Mary Chileshe. I am a student at the University of Lusaka in the school of Post Graduate studies and currently undertaking research on the above topic.

You have been selected randomly and purposively to participate in this research, kindly note that your views will represent others that have not been selected in this study. Be assured that that data being solicited here will be put to good while keeping the utmost confidentiality as we process the data. Your cooperation is highly appreciated.

Note: Please answer the following questions to the best of your knowledge. Your responses will contribute to the understanding of the role of microcredit in poverty reduction among rural households in Chibombo District

1) **What are the main challenges you encounter when recovering credit from bowers in Chibombo?**
2) **What reasons do borrowers give when they default?**
3) **What measures does your company take to recover the loan when clients default?**
4) **In your view how does defaulting on a loan affect the financial security of households?**
5) **What steps do you recommend to minimize the number of defaulting cases among your clients?**