



SCHOOL OF POST GRADUATE STUDIES

**ASSESSING THE EFFECTS OF VILLAGE BANKING PROGRAMME ON
HOUSEHOLD INCOME – CASE STUDY OF CHONGO VILLAGE OF MONZE
DISTRICT**

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AWARD OF THE MASTER OF SCIENCE IN ECONOMICS AND FINANCE.**

BY

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Dedication

My report dissertation is dedicated to my family, supportive friends, for they stood with me even when I felt I wouldn't manage because of limited time I had to do this research. Finally I give thanks to God almighty for giving me strength to keep going until the end of the study.

I dedicate this dissertation report to my family for believing in me.

Acknowledgement of Study

I would like to send a message of my gratefulness to my friends and all those who contributed to completing this Research Report in one way or another. I also wish to give special thanks to Mr Elias Muwau, who is my supervisor for the guidance, monitoring my research up until the end.

To my classmates of 2021 thank you for being part of my success story if it was possible I would have mentioned here all of you show how you have impacted me in one way or another.

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Abstract

This study was aimed at assessing the impact of village bank services on household income and the livelihoods of village banking beneficiaries in Chongo village of Monze District. Ninety-one respondents were interviewed and ten of these were employees of Microfinance Institutions. Two village bank groups were identified as providing services to the community in Chongo village of Monze District. Different sources of literatures on Microfinance in the developed world, developing world, Africa, and Zambia were reviewed. The study was carried out using both quantitative and qualitative methods. Questionnaires and interviews were used to collect the data that is presented in Charts, and graphs to examine the effect of village bank on the household income and livelihoods of village banking beneficiaries in Chongo village. The findings of the study revealed that village bank groups operating in Chongo village of Monze District provide services like training and skills development, credit facilities and savings mobilization, banking facilities, supervision and monitoring of the clients, provision of agriculture finance. The services are particularly provided to village banking groups, and individual women and men as long as they are members of village banking. The repayment of the credit facilities is usually through monthly instalments. The size of the loan depends on the MFI but ranges from as low as five hundred kwacha to ten thousand kwacha. The security usually required is group collateral in case of groups and any other as deemed necessary for the individual by the MFI. The study examined that village bank members who accessed the loans from MFIs were able to improve their socio-economic status through starting up or expanding investments and enterprises, paying school fees for their children, purchase of household items like furniture, land and solar installation, building of houses, confidence building, participation in leadership roles etc. The research also found out that village bank members face some challenges in their access and utilization of the MFI services and these include; the culture does not allow, poverty (No money to open account, some does not understand Microfinance (village bank), policies and procedures are long, fear and mistrust of employee, lack of business skills, Politics in the Microfinance (village bank), distance to the Microfinance Institution, fear of collapse of Microfinance Institution and many more. The respondents recommended that the government should intervene, especially where interest rate is concerned and centralize it or

make it uniform and also monitor the operations of the MFIs so that they offer adequate services to the members. Microfinance Institutions should carry out gender sensitization, promote and encourage financial transparency among couple, increase in women awareness and understanding on Microfinance Institutions, adjustment in product, policies and procedures, training members in business skills and encourage them to start income generating activities, making Microfinance an operating environmentally friendly to village bank members and other efforts. The researcher recommends that the Microfinance Institutions should expand the spectrum of their products to include social loans for funerals, weddings, as well as non-economic aspects like school fees. Beneficiaries should not move from one MFI to another. They ought to acquire the loan when they have some investment already, study the MFI before acquiring the services and support each other as a group to ensure that there is progress in the various undertakings. The results of the research have led to the assertion and affirmation that although the benefits may vary from one beneficiary to another and from one community to another, Microfinance has in various ways played a significant impact in increasing household income of village bank members of Chongo village of Monze District.

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Acronyms

BRAC	Building Resources Across community
FGD	Focus Group Discussion
GB	Grameen Bank
MDGs	Millennium Development Goals
SNDP	Sixth National Development Plan
FINCA	Foundation for International Community Assistance
FOCCAS	Foundation for Credit and Community Assistance
LDC	Least Developed Countries
MDG	Millennium Development Goals
MFI	Microfinance institution
MFIs	Microfinance Institutions
NGO	Non-Government Organisations
VB	Village Banking

CHAPTER ONE

BACKGROUND TO THE STUDY

1.0 Introduction

In introduction the researcher summarises the background of the study, the statement of the problem to the research, the objectiveness of the study to the people of Chongo village and nation at large, the research questions to guide the researcher, the scope area to be covered by the researcher, the significance of the study as to why the was it necessary, the organisation of the report, and finally, the operation definition.

1.1 Background

Microfinance is referred to as a financial products and services which includes making savings, borrowing provided to poor people who are from low income. Providing those with financial access usually help them to create self employment through the small loans they get which they invest in businesses and start saving more. Rural financing has contributed massively in Zambia as access to savings, loans, credit as well as insurances has reduced (Andrew, 1999), (Dr Marus Eton), 2018. Microfinance is still facing challenges in most countries especially in developing countries..Microfinance institutions are still weak to generally overcome the barrier of access to rural finance despite the government, private sector and nongovernmental organization coming on board to improve it. Even with these challenges strides are being made to improve more using the experience and guidelines to expand and increase the provision of rural financial services to be more effective. The beneficiaries of rural financing (village bank) are poor communities who are engaged in various businesses such traders, producers as well as agro processors. Despite the benefits comes up with being a members of the village bank some Zambian still think don't want to be associated with services of village bank meanwhile they have no access to a bank account as well (Kodhek. 2003).

In Zambia, village banking was first introduced in 2001 by Finca to help low-income households to borrow and save (John Hatch, 1984). In Zambia, village bank has helped families to improve their living standard in return, most village bank members see village bank as solution to end their poverty in their household (MCGE, 2009).

According to research by United Nations Development Plan (2015), village bank is known to be an innovation of financial inclusions well as an alternative route people who can't manage to borrow from the banks which requires collateral. The alternative ideals behind village bank to provide credit too their members who can't afford to borrow from commercial banks attracts more members from communities to join village bank so that they can easily access credit than going to the banks(Lidgerwood, 2009). Village bank has been set up in such a way that members are from within same village and town. Village banks are member based groups to offer credit not in a way banks are doing it rather in a traditional way, GB (Grameen Bank) upgraded the village banking methods which was also later developed by Finca. Village banks group are formed with members from same locality as system is of cross guarantees to each member's without asking collateral with too many documents to write like what the banks. Providing poor families access finance to invest in their small businesses leads to improved health care system, better education, health nutrition of the members. Village bank have muscle to empower households by providing them skill training and capital to become entrepreneurs. The members of the village bank are also trained on how to create jobs, building assets, raise income to take care of their families; (Grameen Bank 2015) (Rakodi 2007) A household is defined a co-resident group of people who come together on a common agenda to contribute and start village bank group to benefit them. The benefits can be in any form such as skills, knowledge, money as well as labour. The members should know each other, live together in the locality and associate together.

The program of giving small loans among village banking group participants proved to be effective way of improving the lives of the poor people in Bangladesh under Grameen Bank improved. Yunus (2014), when people from low income join village banking they are trained to invest the money they so as they don't fail to payback when its time to pay. They are trained how to borrow money from institution and how they can handle repayment if they borrow. The members also go through training process on understanding if the business they want to is profitable and if not what should they do so that they don't make loses and fail to payback the loan. The banking policies have been changing to align themselves to business environment which saw the coming of the village banking on the market to benefit the members

who does not qualify to borrow from commercial banks. The requirements also discourage members from low income households to open savings account as a result opt to join village bank group. The introduction of village banking has left commercial banks vulnerable, losing customers and income simultaneously.

1.2 Statement of the Problem

Even after coming up with different strategies through Ministry of Community Development and other nongovernmental organisations in these village banking groups alternatives like in "Chongo village of Monze District" (Mutelo Munachoongo, 2020), there is a lot that Village banking groups have contributed to improve the living standard. The significant improvement in village bank in uplifting the standard of living to the members is poorly or misunderstood among the communities with other stakeholders in Zambia. It was for this reason the researcher decided to assess the ability of village bank group in increasing households income among the members. Even when village bank is understood to be an intervention to move poor people of poverty especially in rural areas like Chongo village of Monze District, there is a gap in providing information to members regarding the relationship between having village banking groups and increase in household income in Chongo village of Monze District. To understand the effectiveness of the village bank groups in Chongo village of Monze District The is needs to establish the relationship between village bank availability in Chongo village and the improvement of income in households in Chongo Village of Monze District. The study has been conducted to understand the effectiveness the village bank has on household's income and the role village bank play in the community.

1.3 General Objective of the Study

Objective of the study was to investigate the effect of village bank on household income in Chongo Village of Monze District. The researcher used explanatory as there was for members to explain the effectiveness of village banking groups and the relationship between village bank groups and improve in household income for rural poor people in Chongo village of Monze District.

1.3.1 Specific Objective

1. To examine the role of the village bank group in improving household income for the village bank members in Chongo village of Monze District
2. To assess the benefits of village banking group services to its members.
3. Investigate if the services provided by village banking groups contribute to increase in household income.

1.4 Research Question

1. What role do village banking groups have in improving the rural poor household income in Chongo village of Monze District?
2. What benefits have members realised after becoming members of village groups?
3. Do services and products provided by village banking groups contribute to improving household income for the rural poor in Chongo village of Monze District?

1.5 Scope Area of the Study

Chongo village of Monze District was chosen as focus area for this research. The area is accessible for data collection besides being the prime area where village banking is concerned to operate. The area was chosen because members started long time ago participating in village banking. The researcher interviewed village bank members in order to get first hand information on the effect of village bank on household income in Chongo village of Monze District. The researcher also wanted to know how members feel about having village banking in their community. The selected members who were interviewed were members of the village banking who knows how village bank group operate. The researcher also interviewed members who are not members of the village bank group in order to understand the household income gap between village bank members and non village bank members

1.6 Significance to the area of Study

The study is of importance in decision making and policy making in Chongo village of Monze District and national at large. Locally the study is of importance to the community as they got a chance to interact and share the challenges they feel need to looked upon to help them access the finance through village bank this can be in

form of regulation to guide the operation of village bank, reducing the fees for members who intend to legalize their business and funding to expand their village banking activities to increase household income which come with benefits of better nutrition, better education system, and better health system.

The study outcome helps professionals make decisions which are in the interest of the communities. For instance village bank members give opportunities to rural poor people to access the finance with less condition which resulted into legalizing the operation of village bank in Zambia. The responses from the members is of importance in an event members feel there is another better way village bank can be a success.

1.6.1 Justification of the Study

The village bank groups operations coverage is increasing to many different part of country through sensitization and training being carried out. More members especially from rural areas are showing interest to become members of the village bank. The study provides more information about the role of the village banking in improving household income. The researcher also wanted to know how sustainable village bank in Chongo village of Monze District and Zambia at large. Since promoting appropriate village banking groups is a strategy to improve household income for the rural poor people in Chongo village of Monze District.

1.7 Organization of the Study

There are six chapters covered in this report to start with introduction in chapter one where researcher looked at background to the study, followed with statement of the problem to the objective of the study. Chapter two of this study dependent on literature review focusing on secondary data related to the research topic and the microfinance contribution to poverty reduction; it also provides key definitions terminologies used in the study. The relevant academic studies are linked, and a research gap has been identified as the researcher analyse the study findings. The research methodology of the study is discussed in chapter three. The presentation of findings and analysis on chapter four, discussion of findings in chapter five concludes with conclusion and recommendation to the study on chapter six.

1.8 Limitations of the Study

The study was done in Monze District Chongo village as such the researcher was limited to collect data only within the jurisdiction where research was focusing. The data collected from Monze District (Chongo village to be precise) cannot be generalized to be same response elsewhere as results the problems the community is facing in Monze District cannot be same problem for the entire country. With above observations conclusions may have wider margin of error which can not reflect on microscope. The findings from Chongo village of Monze District is restricted to be a helpful when used on village bank

1.9 Key Definitions

Village Banking Groups: Credit and savings groups formed by members of community who reside in same locality or microfinance institutions to uplift the living standard of the members where they are operating.

Rural Poor: People who live in remote villages and have small incomes to sustain their living.

Household Income: The money available in people's homes for use it can be in form of asset or non asset but measured in kwacha.

Village Banking Participants: These are registered members within a given village banking group and sometimes called "clients".

Challenges: Problems people face in village bank groups

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction to Study

Chapter two of this research discussed the literature review to understand the previous research which has been done. The researcher took time to go through past research in an effort to identify the gaps which need to be filled. The researcher took an interest to review previous research on how village bank improves household income level. In this research the literature review helped the researcher understand the relationship between village banking and household income.

2.1 Empirical Literature Review

In their study, Development International Desjardins (2005) finds that the motives behind the formation of village banking depended on the premises and an approach to cooperatives challenges. These involved the involvement of the respective African countries to spearhead the formation of village banking and the participation of non-Africa promoters who provided either financial or consultative services to the building of village banking in various African countries.

The study further found out that autonomous village banking based on savings mobilisation before granting loans was recently started in Burkina Faso then Zaire, cameron (Democratic Republic of Congo), Benin, Ivory Coast and Rwanda in 1970, in Tanzania in 1938(in Moshi Town). The significant comparative advantages of credit unions lie in their ability to service several clients to deposit and use these savings to provide a diversified range of loans to individual members. Other key strengths are their ability to achieve a significant breadth of outreach sustainably, and also their considerable depth in as much as suggested by median savings made by members with loan size and its distribution in many countries such as Bolivia, Ecuador, Philippines, and Sri Lanka (Branch and Evans), 1999; Evans, 2001).

Government institutions have often misused the cooperative movement for political purposes. Government interference is a significant cause of collaborative failure- especially in developing countries. Harmonious performance in rural areas is mixed (Braver man and Guasch, 1989; Huppi and Feder, 1990). Any change in the

regulatory and supervisory framework and technical assistance is often called for to improve performance.

Krahnert and Schmidt (1994) assert that credit unions' ownership and governance structure tends to favour members who make deposit over the interests of owners and borrowers, leading to a safety-oriented policy that sacrifices profitability and efficiency. However, under the risky conditions of rural areas in developing countries, this conservative policy can indeed be risk-efficient in the eyes of risk-averse depositors and low-income owners. Krahnert and Schmidt (1994) conclude that this conservatism is one of the reasons why credit unions are increasing and have persisted for so long. After all, the majority of savers are the backbone of a credit union.

2.1.1 Microfinance and benefits to women

According to the results after analysing the findings by Kabeer (2005:4711), a review of Microfinance efforts from various parts of the world suggests that access to finance from institutions has a positive impact economically as members begin to invest in assets rather than consumption. Kabeer (2005:4712) reports that the studies of the Imp – Act (improving the impact of Microfinance on poverty) programme in countries such as South Asia confirmed that access to financial services improved the economic position of the household's income. The improvement made involves; asset base improvement and diversification improvement which leads into higher return on occupation, encourages the adoption of new agricultural methods, increasing ownership of livestock by members, as well as levels of savings in return reduces reliance on money lenders providers.

Muzaale (1994:19) argued that in assessing the benefits of the credit scheme to the participating grassroots women, it is valuable and appropriate to distinguish between expressed benefits and inferred benefits. Muzaale (1994:19) further explains the defined benefits of the scheme mentioned by the beneficiaries during focus group discussions and individual interviews. The assumed benefits are those that are analytically discerned from available facts by the researcher. Muzaale (1994:19) identified that further, expressed benefits should include a decrease in dependence on husband support by women, supporting husbands pay medical expenses, ability

renovate or move to a better house as well as pay children school fees, giving new vitality to a previously declining project, having money to work with and feeling respected. According to UNESCO, over eight million impoverished people, especially women, benefit from different Microfinance programmes (UNESCO.1997:3).

According to a study of lending institutions in other countries, the findings reveal that Microfinance borrowers have a tendency to make more money over time through profitable investments that eventually lift them out of poverty (Meade 2001:2). This particular study mentions that the Bangladesh Rural Advancement Committee (BRAC) members are expected to see their poverty decline by an average of fifteen per cent after three years of participation. For Grameen Bank participants, there is a reduction of poverty by five per cent after four years of involvement (Meade 2001:2). The study by Meade (2001:3) also revealed that the micro-credit programmes help borrowers insure themselves against crises by building up household assets. Such assets can be liquidated if needed or used as security or proof of creditworthiness when dealing with people in business or more traditional lending agencies.

Vonderlack & Schreiner argue that microfinance has been to supply production loans to women who run tiny business enterprises, thereby decreasing their disadvantage in the market and increasing their bargaining power in the household (2001: 15). The authors further argue that the mere receipt of loans does not empower women financially or socially but expands women's access to economic opportunities and resources (Vonderlack & Schreiner 2001:15). Vonderlack & Schreiner argues that borrowers must pay these loans. Unless a woman has a business or a job to provide cash for debt service, lenders are unlikely to risk loans for reproductive purposes (2001:15).

The research aims to examine the socio-economic impact of Microfinance services on the livelihoods of women beneficiaries in Chongo village of Monze District. Thus, it is vital to establish whether some of the above benefits that accrue to women elsewhere in the world have been accrued by the women in Chongo village of Monze District.

2.1.3 Investment Services

Investment is an essential function of village banking. That allows members to form a business by placing their capital at risk and receiving a return (profit) on that investment. The investment function of village banking is selling shares to members in the appropriate amounts and at the correct times. Members use the shares to guarantee the savings and loans of the members by providing the proper amount of liquidity in the village banking. Village banking manages the risk of withdrawal or late repayment; retaining some profit from interest earned on the lending operation to pay a dividend to the members based on the shares owned; redistributing the earnings to the members as dividends based on shares owned (Adera, 2015). The investments made by village banking can be in loans or securities. One of the essential roles of village banking is transforming financial assets that are less desirable for a large part of the members into another financial investment, which is preferred more by its members (Allen & Gale 2014). This transformation involves at least four economic activities: risk reduction via diversifications, providing maturity intermediation, information processing and reducing the costs of contracting as well as providing a payment mechanism. The level of investment for village banking acts as a good predictor of long-run economic growth rates, capital accumulation and productivity improvement of its members. Village banking performs the roles of resource mobilisation and allocation, risk diversification and liquidity management to foster the development of its members. In a complete information deterministic world, village banking also have the critical role to play as a resource provider when there is a time lag between the firms' factor payments and receipts from sale proceeds (Edwards S. 2008).

2.2 Theoretical Review

2.2.1 Ricardian theory of Production

Ricardian theory of production states that increasing the one factor of production while holding one constant. This theory relates to availability of village banking and its effect household income level. (Bjork, 1999). The ricardian theory of production is where village bank is linked to an increase in household income. In ricadian theory of production savings are most important component part of village bank (Japelli T and Pagano M, 1994).

2.2.2 Growth of Wealth Theory

Village bank group consist of a mutual group membership of people who comes together in an effort to collect savings from members who own shares in the village bank. A village bank group is owned by members who have shares in the village bank which make it user owned institution. The savings collected from members make up a village bank wealth owned by members of the village. The members who own a village share common bond coming from same area, sharing social economic activities. The main activities of the village banking are accepting savings which they later on lend out to the same members to make profit. In other institutions such as finca village tends to accept cash deposit, money transfers, insurance as well as payments services which is not possible In most village banking group (Maina, 2007). Branch (2005), village bank group has contributed massively in providing access to financial services.

2.2.3 The Agency Theory

In agency theory relationship, one party, called the agent, makes decisions and acts on behalf of another, called the principal. The agency theory attempts to summarise and solve problems arising from the relationship between the village banking owners and their agents. Agency theory relationships are common in financial management due to the nature of the industry (S.S.Bhati, 2015). When a person manages another person's financial affairs, an agency relationship exists by default. Several specific agency relationships can live in a world of financial management. Corporate executives and company shareholders serve as an example of agency theory. Chief Financial Officers and other financial executives make decisions on behalf of the interests of shareholders, the principals in the relationship. The problem which arose around the agency theory revolves to describe the challenge of agency theory relationship: reconciling two distinct personal goals or objectives. In agency theory relationship, agents are required to meet the village banking owner's goals, yet the agents' own goals drive them to succeed on behalf of the village banking owner's (Adera, 2015), for an agency theory relationship to be mutually beneficial, where both parties' goals are addressed within a climate of compromise, understanding that meeting the principal's goals is the primary function of the relationship. To this end, must share information freely and openly between the two parties. Hence, agents

are always clear on their principals' priorities, and principals are always aware of their agents' decisions and actions.

2.3 Discussion of Related Studies

There exist inconsistencies in the existing literature about the influence of village banks on household income. For instance, studies by; Agarwal (2009), Laferrara (2004), Ojeka (2013), Byusa (2013) found contradicting positive and negative relationships between loan lending policies and financial performance of village banks; while Sindani (2012), Moti, et al., (2012), Pandey (2004), Arishaba (2011), Tengey's (2014), showed inconclusive results about the relation between village bank and household income. Further researchers such as; Nizar and Javed (2007), Sagrado, 2005), Central Bank of Sudan (2007, Miller (2008), Kuo et al. (2010) also revealed inconclusive results about the relation between loan security policy and financial performance of village bank; and some of these researches were based banks, microfinance institutions with little regard to village bank. Lastly, there is a lack of empirical data to support Greenbaum et al. (1991) assertion that when there is an increase in income, household income may be due to involvement of members in village banking group, which in turn increase access to finance, consequently influencing financial performance of village bank; while Coyle (2000) defines as the potential joining village banking as this increases financial access to members of the village bank group. Therefore, this research endeavours to fill this gap by investigating the influence of village banking, household income and vulnerability to poverty (Fernandez-Cornejo,J. (2014)

2.4 Conceptual Framework

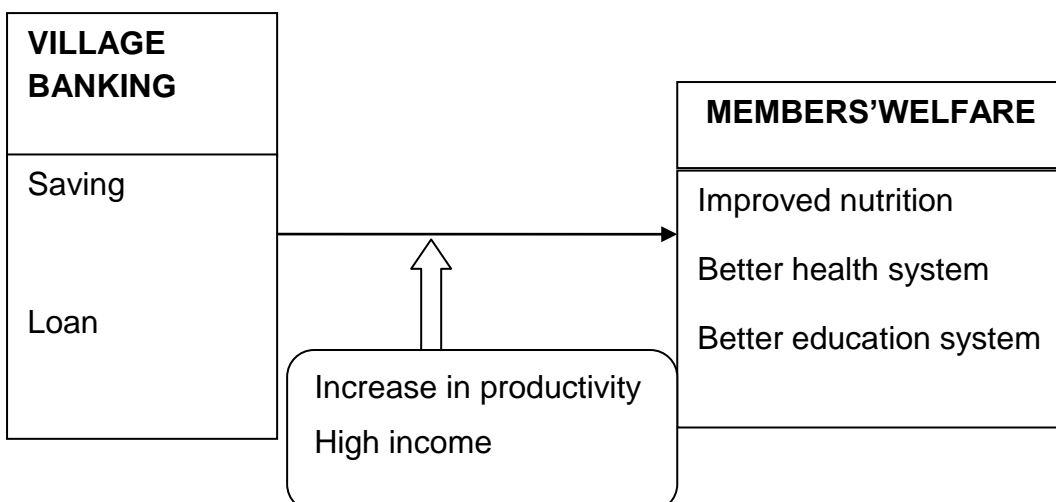


Figure 1.0 Source Researcher; 2021

The savings and credits village bank are independent variables and it includes the savings and loan from the village and the improved welfare of members are dependent variables and it includes the better nutrition, improved health system, better education all these variables depend on savings and loan from their village banking. The intervening variables are increase in productivity and high income.

Figure 1.0 present variable which are key in this research, the productivity and increase in income increases the appetite for households to purchase more goods which the household could not afford to buy before joining village bank. In a simple explanation conceptual frameworks links theoretical relationships in this instance, relationships between variables and performance of village bank in increasing household income in Chongo village of Monze District.

This could be done by injecting some liquidity that is believed to unleash the productivity of household labour. Microfinance institutions are there to provide loans and in turn reduce poverty levels. MFIs inject liquidity into the vicious chain to create other opportunities of empowerment that lead to increased household income which leads to improved nutrition, better health care and education. The ultimate result is that households will escape from poverty.

2.5 Critical Literature and Gap

Niyitegeka (2012) found that village banking services contribute in improving the conditions of life of population and contribute in creation and enforcement of entrepreneurship in the country by providing funds to create new businesses and enforcing the exits one. Village banking also contribute in capacity building of its members/clients by training them and updating them. It contributes in job creation because after creation of new business, the beneficiaries of village banking services hire staff to work for them.

Mavimbela (2010) found that savings and credit cooperatives have a positive contribution towards food crop production as it enhances farmers' ability to purchase farm inputs and easily acquire other farm requirements. Members of savings and credit cooperative societies demonstrated the attainment of higher food crop yields to meet household needs and had capacity to utilize more capital for production than non-members. This indicates that membership to a cooperative enables members to

access credit, which becomes useful in improving agricultural production. According to these studies done by other researchers there are similar studies which have been done in Zambia in the past. According to the researcher these research were done in 5-10 years ago before village banking improved and expanded to almost countrywide which confirms that the research outcome maybe biased to be used now especially for planning and policy making. In the recent years there have been improve in and expansion in village banking. For this reason, the researcher wanted to know if accessing village banking has an effect in improving household income in Chongo village of Monze District.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the methodology that was used by the researcher in order to attain the purpose of this research which assessed the effect of village banking programme on household income. The chapter covered the introduction, the study design, target population, sampling design, data collection and data analysis.

3.1 Research Design

Research design illustrated how a researcher conducted the research (Mouton 1996). The procedures the researcher followed were also outlined with instructions. The researcher used explanatory study which involved cross-sectional methods for respondents to explain to the researcher. A cross-sectional is defined as observation used to analyze data collected from a population which is a representation of subset population in a a specific timeframe (Schmidt & Kohlmann, 2008). Quantitative research uses empirical investigation to observe a situation using techniques such as computation, statistical as well as mathematical. In this research a group of members who make deposit in village bank group were investigated. The researcher used two variables such as availability of village banking group and increase in household income in Chongo village of Monze District.

Cross-sectional design was suitable for this research because it was time saving and it also gave the researcher opportunity to understand the research problem. The research design provided more information which was collected at a single point in time.

3.2 Target population

According to the data under Ministry of community and development in Monze District, the village bank members from Chongo village under Monze branch were 1137 and this study targeted a total number of 1137 village bank members of Chongo village in Monze District from 2016 up to 2021 who have been participants and 5 board members of village bank groups including; one branch manager, two credit officers and two receptionist.

3.3 Sample size

Niyitegeka (2011) said that the sample size can be gotten from Morgan formula.

$$n = \frac{N}{1 + N(e)^2}$$

n is the minimum sample size

N is the total population

e is the margin of errors estimated at 10 percent.

$$n = \frac{1,137}{1 + 1137(0.1)^2}$$

$$n = 91$$

91 was the minimum sample size to represents 1,137 teachers' member of village banking in Chongo village of Monze district had 44 groups. The simple random sampling was used to obtain 2 members from one village bank group and 3 stakeholders were used including one branch manager and two credit officers to represent 5 stakeholders and the total sample size were 91.

3.4. Sampling Techniques and Procedure

The study used was simple random and purposive sampling technique,

3.4.1. Simple random sampling

According to (Waters, 2011), (Siegle, 2004) in simple random sampling every member of the population has exactly the same chance of being chosen to participate in a particular study. This technique does not involve collecting data at regular interval but rather in irregular interval for example you can select respondent number 1, 4, 7, 11 and 13 to participate giving an equal chance of being chosen. Using the village registers presented by the LCs in the different villages the researcher was able to randomly identify villagers who participated in the study. Simple random sampling technique therefore was to ensure that villagers had an equal opportunity to participate in the research. Villagers were selected using this technique in order to avoid bias and to give them equal chance of participating in the study.

3.4.2. Purposive sampling

Purposive sampling was to enable the researcher to select respondents holding positions which makes them automatically to be more knowledgeable with issues going on in their areas of work (Amin 2005). This was basically a researcher's judgment towards the respondents on whom he thought should participate in the study basing on a number of factors like duration in service, title held and level of education among others. In respect to the above, the researcher purposely selected heads of departments in the different Microfinance Institutions so as to obtain concrete information since the researcher believes that they have relevant information regarding the socio-economic impact of Microfinance services on the livelihoods of village bank beneficiaries in Monze district.

3.5. Data Collection Methods and Instruments

The researcher used both primary and secondary data collection method in the study. Primary data, the researcher issued out self-administered questionnaires and interviews including observations. For secondary data, data was collected from various documents like research reports, published journals, newspapers, text books, and internet and from achieves of Microfinance Institutions working within Monze district.

3.5.1 Self-Administered Questionnaires

Ahuja (2001) defined questionnaire as a set of questions usually sent by mail (Amin, 2005) although sometimes delivered by hand. The hand delivery can be at home, school/college, institution or organization office. Some of the questionnaires were closed ones; which according to Trochim (2005) are questionnaires that allowed a researcher to obtain information on relative preferences and importance. The Likert (1932) and Thurstone scales (Thurstone and Clave, 1929) was also used to extract the quantitative information from the field. These questionnaires or tools were good enough and can be used to collect information over a short period of time (Oso and Onen, 2008).

3.5.2 Interviews

According to Waters (2011), interviews refer to directly asking questions to respondents. Interview guide containing open ended questions were administered to

the respondents. Face to face interview got advantage in social cues such as body language, intonation among others therefore; provision for thorough elaboration of the problem at hand and thus, the researcher was able to obtain in-depth information from the respondents given the flexibility of interview guides (McNamara, 1999).

3.5.3 Documentary Review

This review refers to revising already existing documents written by others. They included books and journals in the library, government documents, research reports and other documents related to the research problem under investigation. Specifically the documents which were reviewed by the researcher included; Reports from the different Microfinance Institutions, reports from the Ministry of Finance and economic development, the newspapers such as the Daily Monitor and the New Vision.

3.6. Pre-Testing (Validity and reliability)

In ensuring the reliability and validity for the research, the researcher tested the questions to be asked to confirm if the study's research objectives and a pilot test were to be conducted. An office calculation was used to compute using SPSS for question reliability and validity.

3.7. Data Collection

Semi-structured questionnaire was administered to the participant and the responses were recorded. Face to face interview was used to collect data from respondents. The researcher decided to use interview to give respondents chance to give detailed responses.

3.8. Data Analysis

A statistical package for social sciences (SPSS) computer package has been used to analyze the relationship between household income and village bank. The data was cleaned up for errors. Responses were checked to make sure that they matched the questions. For easy data entry and analysis the responses were coded (Williams, 2003). The data was presented into charts for easy interpretation of results.

3.9. Ethical Considerations

The researcher paid much attentively considerations to ethical issues when collecting data as this had the potential to hinder the purpose of getting truth and error avoidance. The researcher made sure to understand the culture of the people in Chongo Village of Monze District so as not to conflict with words used when communicating with respondents. The researcher asked for consent from participants through an introduction letter which specified what the research involved. The researcher made it clearly to the respondents that they were at liberty to write their names or not if they were not comfortable this was to make sure that there was privacy attached and their responses was not going to be shared. The researcher informed the respondents that the data collected was specifically for research purpose only.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.0 Characteristics of respondent.

The social economic characteristic presented in this section includes the occupations of the respondents to help the researcher understand what the respondents do apart from being village bank members. Other characteristics are gender of respondents to know how many males and females, marital status of the respondents, the household size of the family, as well as education levels of the respondents. The researcher was interested to know the directly impact these characteristics have especially village banking on households income.

4.1 Demographic description

The researcher wanted to find out the age, education levels, marital status, sex and the number of dependents the respondents have. The researcher also wanted to understand which specific characteristic had effect on household income for the members of the village bank in Chongo village of Monze District.

4.1.1. Age group

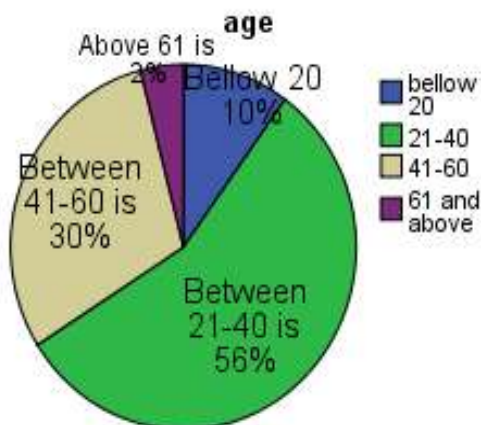


Figure 2.0: Age of respondent – Source; researcher, 2021

About 56% of respondents were between the age of twenty-one and forty years old. The researcher attributed 56% to this age group to having huge responsibilities of paying school fees for children and providing for the family. The money was not

enough and they opted to join village bank to meet expenses home. The age group of 21-40 years have a lot of responsibilities as a result joining village bank is an alternative way of increasing household income as members have opportunity to borrow. The age group of 21-40 years is known by every household as such they cannot default or run away with the money. The village bank trust the members in this range of age group as they don't move from one place to another whereby missing the repayment deadline day. With this information above the researcher found out that village bank concentrate much on this age group as they are mature, busy, own properties.

4.1.2. Sex.

The researcher found out that 80% of respondents were female with 20% being male as indicated in figure 4.1.0. The 80% representing women being majority participant in village banking confirm with researcher's observation that women are most participant because they are the ones who struggle in homes when there is no income to support the family. The researcher observed that men are hesitant in engaging themselves Goodland et al. (1999:23). The researcher found out that most position are held by women confirming that they are leading.

Sex of the respondent

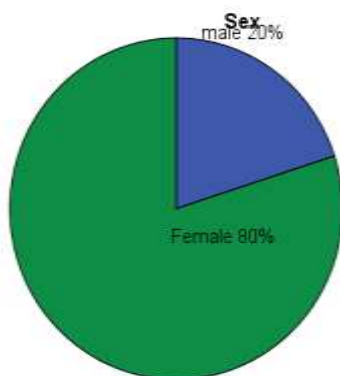


Figure 3.0: Sex of participants. – Source; Researcher, 2021

The research showed that women are sympathetic seeing the children suffer, children not going to school as a result of not having money at home. Women always look around for opportunities that can help them meet family demands especially providing for shelter, food, better health, and school fees. Therefore, women get involved in village banking more than men to enable them earn income.

4.1.3. Marital status

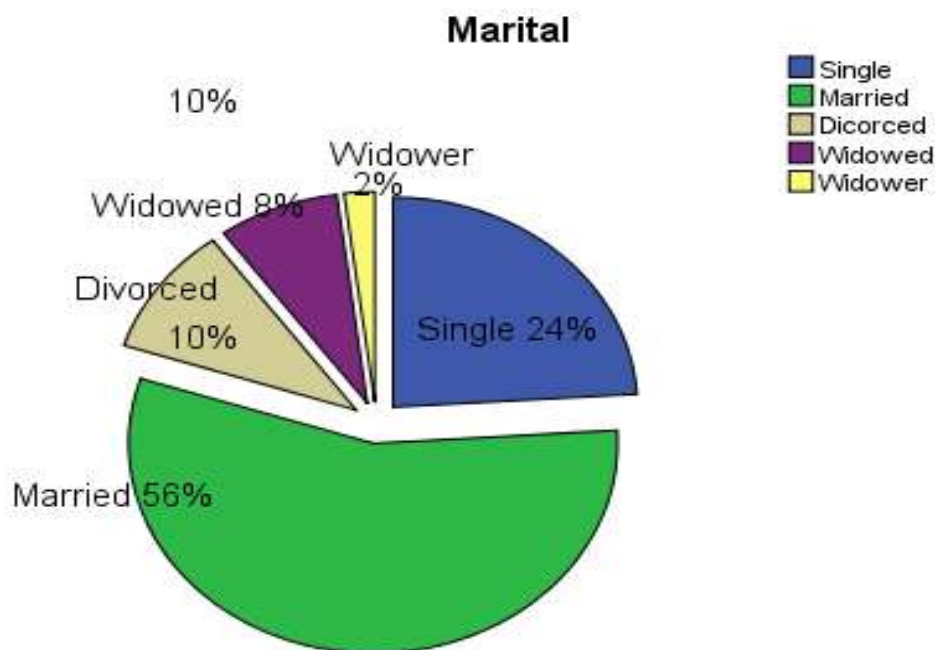


Figure 4.0: Marital status of participants – Source; Researcher, 2021

The figure shows that 56% of the respondents are legally married as indicated in figure 4.1.0 in this age group members are matured and busy doing something to improve their livelihood. The 56% was also attributed to the fact that the area is predominantly encourages marriages as such it is a culture that women get married and men marries when they are ready to settle down. The researcher also observed that members of the village bank are more faithful participating in village banking services.

4.1.4. Number of Children

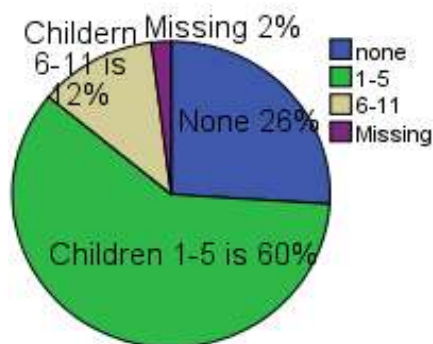


Figure 5.0: number of dependants. – Source; Researcher, 2021

Most respondents had children to support as a family and children who needs school fees to go to school. The researcher observed that most members with a number of 1-5 children representing sixty per cent (60%) were members of village bank while a few respondents with twelve per cent (12%) exceeded five children. The number of children was captured as a contributing factor to the need and utilisation of the village banking services. This was because the more significant the family, the greater the demands for household income to buy food, school fees buy clothes and pay for shelter.

Twenty-six per cent (26%) was reported not having children at all, this could be they are young or are not married, and two per cent (2%) of the respondent never disclosed having neither a child nor children.

4.1.5. Village Member's Education.

The researcher observed that there was high degree of education in Chongo village of Monze District besides the area being rural area. The researcher observed that, Chongo village of Monze District was not an urban area but there was activities that had created employment opportunities for local people to the extent that even educated community members are beneficiaries.

The Educational levels of respondents

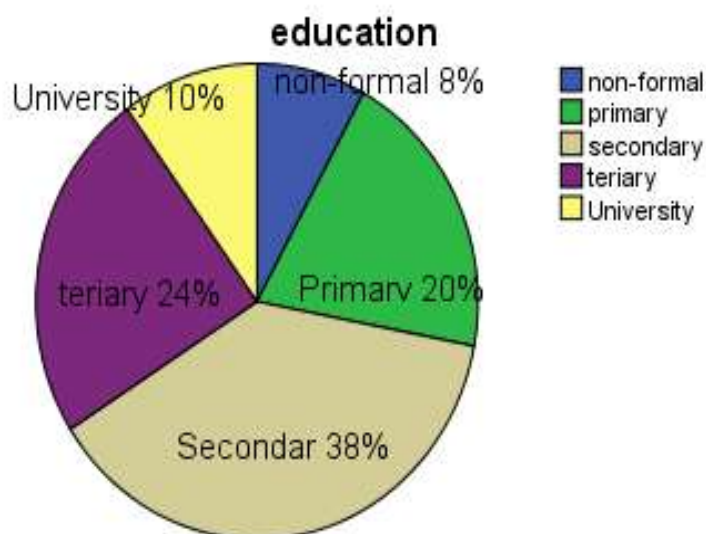


Figure 6.0: Village bank member's education levels – Source; Researcher, 2021

The researcher observed that the high number of members who had gone to school made it easy for the village bank members to join the village bank with hesitation or being afraid of being scammed. The village bank members were also able to attend business training associated with entrepreneurship. The level of understanding to questionnaire confirmed that the members possessed degree of understanding of the topic and questions which the researcher presented to them. The members exhibited the levels of understanding procedures of village banking as well as how they want it to be enhanced to increase household income in their homes.

4.1.6. Membership at the Village Banking

The responses indicated that several members are joining the microfinance institution with seventy-two per cent (72%). The percentage increase was attributed to the fact that most respondents were aware of the village banking services in the study area of Chongo village of Monze District. Although not very urban, it has several people in the village banking and could also have been the key informants getting services in this village banking.

4.1.7 Membership at the Village banking



Figure 7.0: **Membership at the Village Banking** – Field Research, 2021

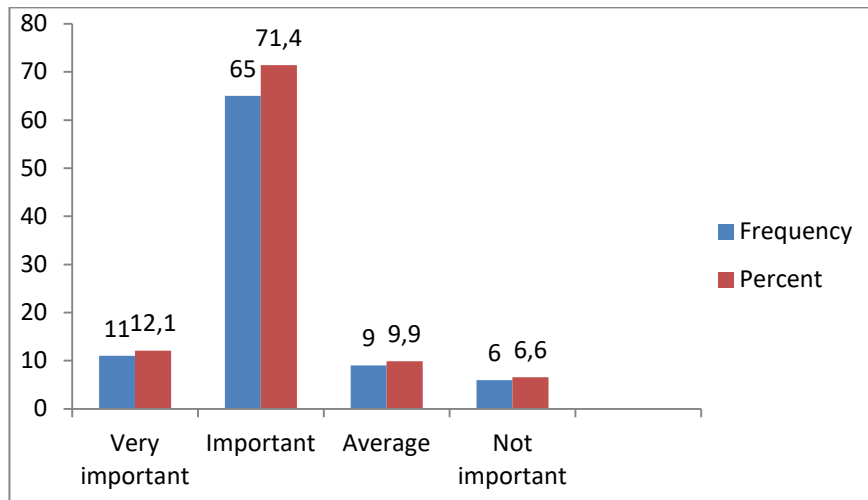
The result shows that 72% of respondents are members of microfinance institutions in Chongo village of Monze District. The researcher observed that 72% of members are beneficiaries of microfinance institutions while 28% are yet to join. The 28% represented a number of members who are not village bank members with various numbers of problems which are going to be presented in challenges of joining village bank group.

4.1.8. The village banking in Monze District and their services.

There are two broad village bank groups, namely, Maumba village bank group and Lukamantano village bank group that the researcher observed, although some others are also operating within Monze District. They all provide the same services to their clients (Members) of Chongo village and the neighbouring towns and other Districts like Mazabuka and Pemba.

The researcher found that the Lukamantano village bank group started in 2005 as a village bank and then transformed into a village bank in 2007. This could have contributed to too many people joining this village bank with 52% compared to the Maumba village bank group with 20% in 2012. However, 28% has not yet joined the village bank group; therefore, much effort is needed to convince them to join. The responses indicated that most of the MFIs have been operating in Monze District between 2001 and the interview.

Figure. 8.0: **Having account in village banking is necessary**



Primary data, 2013

Figure 8.0 indicated that for 100 percent tested members of Chongo village bank group about to have an account in Chongo village bank group is necessary, the maximum numbers said that it is important to have the account in village bank because they present 71.4 percent, 12.1 percent said that it very important to have account in Chongo village bank group, 9.9 are the average and the minimum numbers said that to have an account in Chongo village bank group in Chongo village of Monze district is not important.

4.2. Microfinance and its socio-economic impact on the livelihoods of village bank beneficiaries in Monze District.

In order to examine the services provided by Microfinance Institutions in Chongo village in Monze District and the socio-economic conditions of households of participant, the respondents were requested to explain the existing MFIs and what they do, the services they have benefited from and how they used the money obtained from the MFIs. The key informants from the MFIs also explained the services provided by the MFIs, the target group, the process of acquiring the loan, challenges faced, solutions to the challenges and how the MFIs have had impact on the socio-economic conditions of the village banking member

The activities and services of the available and existing MFIs were established to be offered to both men and women and the process of accessing the services are both group and individual applications to the particular MFI (Rhyne & Christen 1999:9).

The respondents explained that all the MFIs provide loans to the clients as a primary activity and service to the community. The loan usually depends on the type of project the client intends to undertake. The amount disbursed is different for each client and it also depends on the MFI. The starting amount for the client received as a loan is two thousand (2,000) Zambian kwacha which is equivalent to one hundred twelve (\$112) United States dollars.

The Microfinance Institutions also provide mobile money transfers (United Nations 1998), this service has in the research Questionnaire been introduced in many Microfinance Institutions and Chongo village banking group is practicing, Mobile Money for the unbanked programme works to accelerate the growth of commercially viable mobile money services to achieve greater financial inclusion. Mobile money services are a powerful tool for bringing unbanked and under banked people into the formal financial sector. In Zambia MTN, AIRTEL and other communication providers are implementing mobile money transactions, mobile phones are increasingly being used to increase access to low-cost financial services including payments, transfers, credit and savings in Chongo village bank.

Other services includes training and skills development to enable the clients to plan, manage and evaluate the investment, keep the records of all activities of the investment and also to utilize the loan more effectively (Muzaale 1994:19). The clients are also trained on how to analyze the income generating activities and investment opportunities. The training takes place before the clients receive the loan (Pre-disbursement training), after they have got the loan and at the end of the loan period (Grameen Foundation 2000:2).

These training encounters assist the clients to share their experiences and challenge with the service providers who strategize how to improve and adjust their programmes and policies to suit their customers/clients accordingly.

These MFIs encourage personal savings by the clients and this is where in case they have micro deposit taking facilities, the clients open savings accounts with them and save regularly where the clients are encouraged to save as a mandatory practice before taking the loan and during the loan utilization period this was observed by the researcher at a visit at Chongo village banking group. This is in line with the benefits village bank members get as a result of joining the MFI, Kabeer (2005:4712) that can improve on their economic position of household.

The clients' projects are also regularly supervised and monitored by the loans

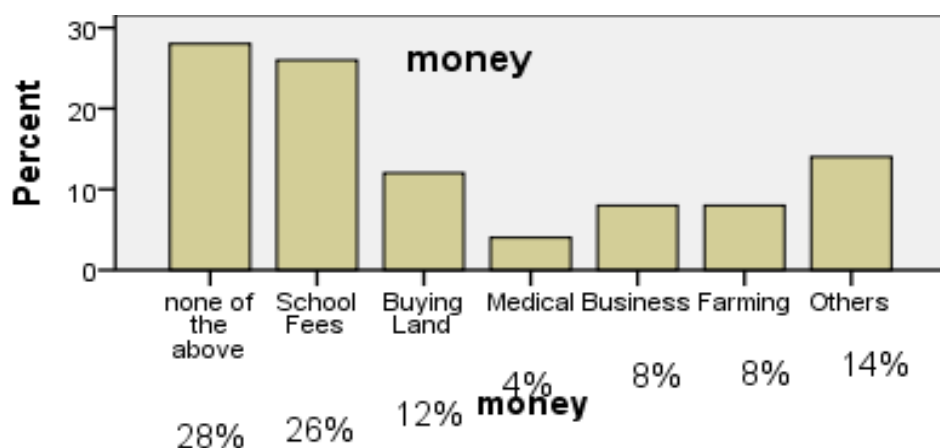
offers to ensure compliance and adherence to the repayment schedules. These supervisory visits enable the loan officers to assess the performance of the clients' projects and where there are adjustments to be done they can be made according to the observations and reports on the progress. The clients who may have defaulted are also met and new terms discussed and agreed upon for better compliance.

Another service provided by the MFIs is that of sensitizing the clients about their policy issues for the MFIs and their new products this is as according to Seibel & Almeyda (2002:1). This is where the clients are given information about new loans, saving procedures and any other new product from the MFIs. This enables the clients to benefit from the promotions and also diversify the investment portfolio.

The above mentioned service provided by the MFIs in Chongo village, are similar to what has been reported by Microfinance Institutions elsewhere in the world (Rhyne & Christen 1999:4-5). For example in Bangladesh, the Grameen Bank's MFIs educate the local communities about the opportunity to improve their lives with Microfinance, make micro loans and provide other financial services such as savings accounts and insurance, collect weekly loan payments and assist clients in solving some of the life challenges they may face (Grameen Foundation 2000:2).

4.3. How the beneficiaries have used the money accessed from the MFIs

Figure 9.0: Use of money by the beneficiaries.



Source; Field Data 2021

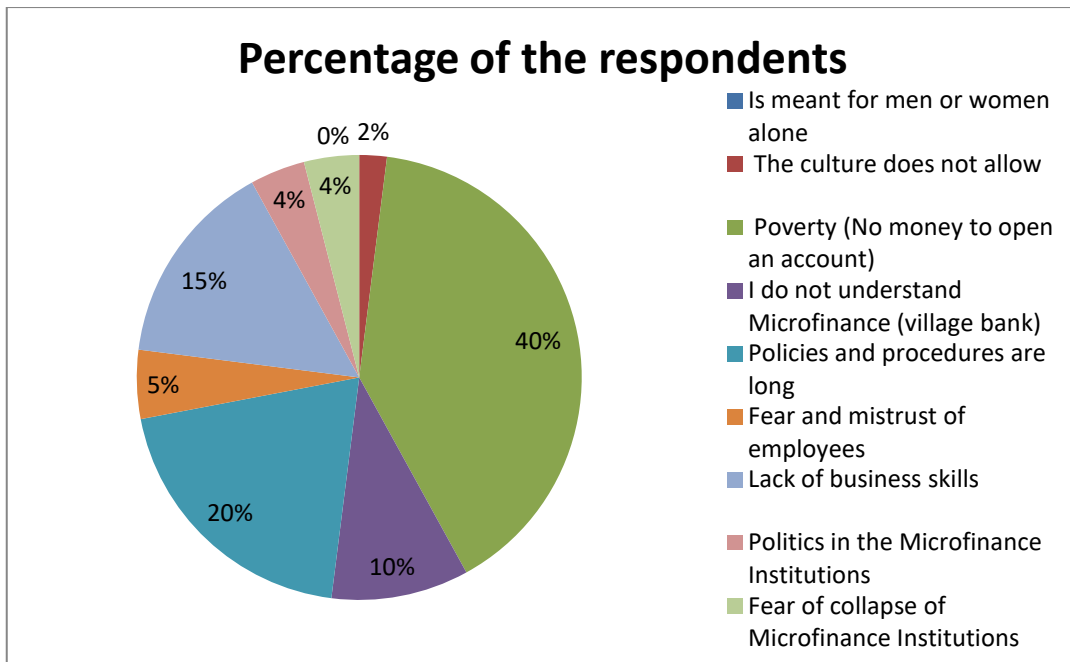
The majority of the respondents who were twenty eight percent reported that they neither access any money nor they use it for what they don't know, twenty six percent of the respondents use money to cater for the school fees of their dependents (Muzaale 1999:19) and the remainder was injected in their retail business/income generating activities. Another four percent of the respondents explained that they bought some land; they acquire loans to diversify the products and expand the land. Other respondents of eight percent used it for expanding their businesses, while eight percent used it for farming. This meant that they were able to get a variety of goods to satisfy their customers. There were some respondents that were fourteen percent who had been involved in other MFI activities for long and had been able to purchase household items like furniture, beds, plates, cups and cutlery as well as clothes for the household members (Kabeer 2005:4712).

It was established from the beneficiaries that they utilized the loan to pay for school fees, invest in their business and or expand the business and farming. This was in line with the findings of other researchers who found out that the village bank members at the forefront of the Microfinance movement, use small loans to jumpstart a long chain of economic activity from this small beginning (Menon 2005:1)

4.3.0 Challenges faced in becoming a member of the village bank

The respondents also revealed challenges while accessing the village bank services, especially membership. They mentioned the following;

Figure 10: The challenges communities face in becoming members of the village bank.



4.3.1 Is the village bank meant for men or women alone?

There were no respondents that had a challenge of men or women being meant only to own account; this means all adults of age eighteen years and above, both men and women are allowed to open or be a member of a village bank; this is according to BOZ Act of 2017.

4.3.2 Culture does not allow.

Generally, two per cent (2%) of the respondents still have a strong sense of patriarchy among Zambian societies. Men are seen as heads of family level and community, while women are followers and are expected to submit to the authorities. The majority of men use their positions as heads of family to control women in every aspect, including economic and financial matters. The researcher agrees; for example, as noted above, women do not have many options to engage in economic activities outside the home or even open an account without their husbands' permission. One male client remarked that "some men still think it is an abomination for women to open personal accounts". Because of the poverty situation in rural areas, most men do not earn enough to care for household needs (Egyir 2016). Women responsible for reproductive roles feel the pinch of poverty the most, and some decide to over-step their husbands' rules and start their income-generating activities. Some men see that as an act of rebellion and a move to undermine their

leadership position and power. Men fear losing their power and control over women. All the male respondents in the study stated that once women get money and become financially independent, they stop respecting their husbands or even leave them. One man remarked: "It is better to have a wife who is illiterate and poor but manageable than one who is educated and rich but difficult to manage". Another client said, "I would rather stay poor than be ruled by the woman". Men react differently when faced with this fear of loss of power, authority and control over their wives:

4.3.3 Property Rights

Some rural poor adults find joining the village bank not helpful since borrowing requires collateral, yet they do not have rights to family property. The most common type of security island (Armendariz de Aghion and Morduch 2005, 2010). Whereas village banks (MFIs) always require spousal consent before lending to married persons, especially when the family property is involved (Mayoux 2001). Men rarely agree to sign to co-guarantee their wives to borrow, and if they do, they require full accountability and control. Men's justification for this tendency is the fear to lose property in case of default. However, when men borrow and use the family property as collateral, women may even be coerced to sign. Men rarely provide accountability to their wives for the use of money. All these discourage joining village banking. Groups are the solution to women's lack of collateral because group members guarantee each other's loans. Borrowing in groups has its limitations, such as small loan size.

4.3.4 Inadequate Understanding of village banking.

Ten (10%) per cent of the respondents generally agree, and even the researcher, that there is inadequate understanding of village banks' institutional set-up, operations, services, and benefits among men and women. The situation could have arisen from the approach used while mobilising communities to form village banks (Meade 2001:2) and (Menon 2005:1). On responding to the interview, a village bank staff from Lukamantano village bank group commented that "in establishing this branch, our first focus for mobilisation was the business community in trading centres, where men

are the majority. There was no deliberate effort to mobilise women who are mostly in rural areas."

Another village bank staff from Maumba village bank group said that "during mobilisation in rural areas men were targeted as heads of households". A client from Maumba village bank group noted that "during mobilisation, the communication media used favoured men. Written communication was used in public places like markets and yet the majority of women are illiterate". As a result of the above, men became early adopters, and women are just beginning to join based on the experiences of their husbands.

Another reason was that village banks were promoted to credit services providers, and less emphasis was put on other financial services like savings and money transfers. Men, being the majority in business, saw the usefulness of village bank and became the first to join. Since fewer women are involved in business in rural areas, and those who would wish to borrow lack the collateral, village banks do not meet the unique needs of women. Women could join Microfinance Institutions (village banks) and use the savings services even though they may not wish to borrow (Massey and Lewis 2003:2). However, Zambians generally have a poor savings culture (Carlton, Mandorff, Obara and Rei-, 2001). Discussions with MFI (village bank) staff in Monze District revealed that most clients save because it is a requirement for borrowing, not because they want to save. The discourse on the importance of savings in village bank groups is beginning to emerge at the industry level, mainly in Zambia (Rhyne & Christen 1999:8).

4.3.5 Policies and Procedures

The members composed of village bank members and non village representing 20% responded to say procedures being used are not so favourable to attract more members to join village banking (Universitet, 2006). Members submitted that in some instance new members are required to be introduced by already members confirming they know the person and has been a residing in the same locality for sometime before they admitted into village bank group. The new members are also supposed to pay money to buy shares, open account, buying a passbook. The above procedures

discourages low income earners to join especially money aspect is seem to be high for them.

Their complaints are that those who have joined and opened accounts have never been able to borrow as policies of borrowing hinder their desires. The policy of village banking is that a member needs to save more to borrow more. With calculation and requirements seem not to favour them which is due to illiteracy and low education (Egyir 2016). The members submitted that procedures and policies favour people who already have high income unlike them with low income with no collateral to back them (Universitet, 2006).

4.3.6 Fear and Mistrust of Microfinance Institutions

The observation of the researcher was that most members from chongo village of Monze District have trust issues with microfinance institutions. This was confirmed with the responses that 5% of respondents they are afraid to go to financial institutions because of lack education and exposure (Universitet, 2006). They perceive microfinance to be for people from high income with high education. Some members submitted that they are afraid of microfinance institution because they are illiterate as such educated ones might take advantage their ignorance steal their hard earned money.

Some members submitted that loans have not helped them rather give them more problems as they struggle to payback. The members say they have seen how previous borrowers almost lost their properties all in the name of loan they got from microfinance institution. Others were not impressed with the way their friends, neighbours were harassed for failing to honour repayment deadline.

4.3.7 Fear of collapse of Village bank

Results showed that 4% of members who took part in the research data collection interview indicated that they are afraid of losing their hard earned money in an event that microfinance fail to grow (Microfinance, 2005). The other members were open enough to mention that they are not willing to save more money in their accounts as they are uncertain with the future of the village banking.

4.3.8 Lack of Business Skills

The researcher observed that lack of skills among the members who yet to join village bank was the reason they were hesitant to join citing that when they join village bank they do not have businesses to help them payback in case they borrow and fail to payback. The result shows that 15% of them lacked entrepreneurship skills as a result they get discouraged to venture into any business activities. Entrepreneurship skills had a role to play if members are to borrow money to venture into business as lack of financial discipline and lack of understanding in utilizing loans obtained would make them fail. (Rosenberg 2010),

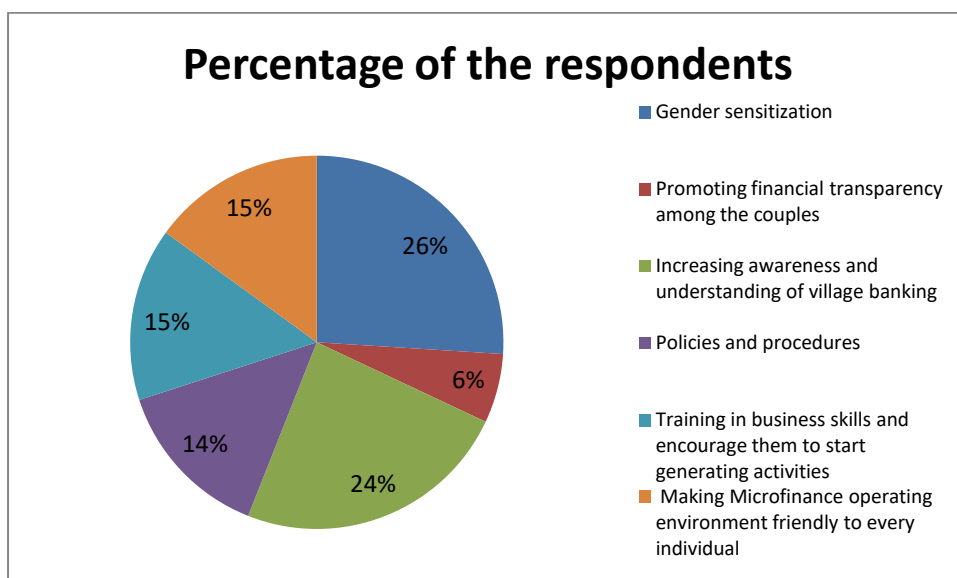
4.3.9 Politicization of village bank

Another four per cent (4%) of the respondent also reported that the current government's interest and focus on village banks makes some people perceive them as institutions for supporters of any political party which comes in power, and so; as a result, those who support opposition parties shun them.

4.3.10 Suggested Solutions for Increasing Membership in the village bank

The researcher asked respondents to suggest solutions to the above-identified constraints/problems.

Figure 11: Solutions to the above challenges and their responses are presented below:



4.4.0 Overcoming Barriers Arising out of Gender Roles in Village Banking.

Twenty-six per cent (26%) of the respondent suggested that one approach could be using male members whose wives are financially stable as positive role models to sensitise fellow men women. The researcher agrees with this statement since those men/women will have more influence on those potentials. It is crucial to remember that they do not like to attend workshops; hence using other media like radio would be more effective. If workshops are to be used, endeavour to communicate the purpose and benefits ahead of time.

4.4.1 Promote and encourage transparency in financial matters among couples

Six per cent (6%) of the respondents suggested that this requires couples to have a shared vision and purpose for managing and developing a home. This calls for family financial planning. Once that is established, the contribution of the couples will be appreciated, and they will feel safe to open and operate accounts in village bank; this was as the result of the questionnaire, and the research agrees with this as a scene of stopping domestic violence. A female client from Lukamantano village bank group said, "I run a business, and I provide for almost all household needs. My husband does not pay much, but he recognises and appreciates my effort, and we have no problem on money issues as a family". Sensitisation of both women and men could help promote and encourage transparency (Muwanga 2006:30). One approach could be radio talk shows where both men and women call to contribute to discussions. If a workshop approach was used, ensure that husbands and wives attend together. When couples learn together, it becomes easier to put into practice what has been learned than when women are targeted alone since they often lack the decision making power in a family. Another woman client also suggested sensitising couples on the proper way to treat and relate within them once they start earning and ensuring that their economic empowerment does not threaten their spouses' egos.

4.4.2 Increasing Awareness and Understanding of MFIs

Twenty-four per cent (24%) of the respondent suggested that there should be mobilisation and sensitisation of potential members, both women and men, about the operations, services and benefits of MFIs. Use local leaders like LC 1 chairpersons, District officials, representatives in the local councils, and local religious leaders in

mobilisation. The location and timing of sensitisation activities should be suitable, bearing in mind reproductive responsibilities.

Gathering like village assemblies and church services can be taken advantage of to sensitise communities. In choosing the communication media, bear in mind that many are illiterate. Meetings of informal groups like VSLAs and AMZ are an excellent recruitment ground for joining the village banking group. Involving positive couple role models already involved in village banks such as female board members and other female members in mobilisation and sensitisation can inspire people to join village banks. Understanding Microfinance Institutions (village bank) operations, services and benefits can address the politicisation of MFIs (Goodland 1999:23).

During sensitisation, special attention should be paid to the benefits of savings products, including the risks of keeping money at home. This can encourage people who may not have joined village banks because they do not wish to borrow or fear loans, to use the savings services. A Board member in Lukamantano village bank group suggested that a long term solution could be to focus on the parents through school savings clubs and in secondary schools to develop good saving habits before they get married and employed or start their businesses.

4.4.3 Adjust Products, Policies and Procedures

Fourteen per cent (14%) of the respondent suggested that village banks review all their policies and procedures and adjust them to become appropriate for every individual (Developing a sustainable Microfinance industry 2005:16). An example is reducing the initial amount required to join or open an account at the village bank. The majority tend to have low incomes; hence wishing to find it high; this is agreeable by the researcher since high costs prevent or discourage clients in operations. The most common Microfinance Institution's loan product is the working capital loan, favouring few individuals in business and excluding many predominantly in agriculture (Muwanga 2006:30). Introducing other products such as a carefully designed agricultural loan product with reasonable grace periods, more extended repayment periods, and reasonable interest rates would attract those practising agriculture.

4.4.4 Training in Business Skills to Start Income Generating Activities

As already pointed out, fifteen per cent (15%) of the respondent suggested that some people do not join MFIs because they have no source of income or their income is too low to require the services of MFIs. Building skills to identify and operate profitable income-generating activities can address this. People can be organised in groups and be trained (Muwanga 2006:30).

4.4.5 Making Village Bank an Operating Environment.

The researcher observed that 15% of respondents were of the view that gender equality in key position was of great importance as it has message to communicate to who would wish to the village bank group. One member submitted that having either male only or female only might have effect on members who may think only males have opportunity or only females have opportunity hold positions. The respondents also recommended that leaders of these village groups should undergo training to equip them necessary skills.

4.4.6 Other suggestions given by respondents were as follows;

Members of the village bank responded by appreciating the benefits the village bank has brought into their households. The respondents submitted that if they can be supported in form of grants the village bank could increase household income among the members of the village bank in Chongo village of Monze District. Increase in household income increases savings component as a results increase liquidity. Responded by suggesting that government should be involved by providing regulation which govern the village bank especially protecting the investment of members. The members also feels government has a role to play to regulate interest rate being charged to members when they borrow money for their business.

4.5.0 Summary of findings

According to responses submitted by respondents indicate that there is misinformation about operation of village bank operations. Respondents talked to some showed little understanding of village bank and their services. Illiteracy coupled with lack of high degree in education leads women to be hesitant to join village bank (Armendariz de Aghion and Morduch 2005, 2010).

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter presents the summary of the findings, draws the conclusion line of what have been observed in chapter four.

The researcher found that the information above the age of respondent was varying between the age of 30-40 and majorities were female and their educational levels were secondary level. Based on 100 percent having an account in village bank, the uses of amount of money saved, most respondents said that the money saved helped them to get a loan, buying the modern cows which provided to them the milk uses in getting money, getting food, construction of small house, buying domestics materials like television, radios, cover bed and school fees for them and for the children. The mentioned information showed that credit provided by village banking groups in Chongo village of Monze District contributed a lot in transforming their members welfare in starting the new business, in expanding the business, in building the house to live for, in paying the school fees of their intake and the school of their family and in solving their family problems.

According to the boards of Chongo village banking groups, village bank improve the life of the village bank members, they said that they give them loan advance to use in commercial activities on lower interest rate, to encourage them to go into village banking groups where it is very easy to give them higher loan and where it is very easy to give them the training about their village banking, and they also help them to study in higher learning institute, giving them donation, capacity building of entrepreneurship. The researcher found that the challenges faced by village bank members is that of lack of access to finance while lack of entrepreneurship skills are the challenges faced by members in improving their life. These information showed village banking that there are needs of increasing the loan and enhance the training in entrepreneurship skills to promote creativity and innovation, this will help village banking to achieve its objectives and this will contribute in changing the life of village bank members in improving their living standards.

The researcher undertook a task of assessing the effect of village banking on household income in improving the living standard of village bank members. An analysis of the various village bank groups and their products was done and the extent to which village banking groups are effective in increasing income on household level was assessed. Data was collected through questionnaires. The study used a sample size of 91 respondents, which comprised of village bank members and village bank board members.

The researcher presented the data by the use of charts, and graphs. The study findings revealed that a majority of village bank offers Credit and saving facilities only to their members while other services like money transfer, insurance and deposit products are limited. The research findings revealed that most village bank members are involved in agriculture, trading or animal husbandry. Therefore the loans they obtain from the village bank are for developing their economic activities. The research findings also found that the funding from village bank members usually suffice the members activity this is because the members have been able to develop socially and economically. The development loans offered by most village bank have been used to buy land; build houses; invest in businesses and farming, buy household furniture and meet other family obligations. The contribution of village bank to poverty reduction, poverty prevention and social protection should be appreciated in this light.

5.1. Suggestions to improve village bank delivery.

In light of the identified challenges in accessing and utilizing the Microfinance services, there are some suggestions that have been made in order to improve service delivery. The guiding question was “*Suggest the possible solution to the above challenges*” The research examined that the suggestions for improvement included the following: Village banking groups should try as much as possible to do gender sensitization, promote and encourage financial transparency among couple, increase in women awareness and understanding on village banking, adjustment in product, policies and procedures, training women in business skills and encourage them to start income generating activities, making Microfinance (village bank) an operating environmentally friendly to women and other efforts, (Mayoux L, 2000, Odomaro. B,2008). There were also suggestions that the Microfinance Institutions (village bank) should expand the spectrum of their products to include social loans

for funerals, weddings, as well as non-economic aspects like school fees. This could be coupled with rigorous training and supervision of the clients in order to know the progress of the projects, (Muwanga, 2006). It was also suggested that the government could increase its involvement in the provision of regulations to govern the Microfinance (village bank) programs, the interest rate and safe guard the property of the clients. Engaging men in challenging patriarchy, sensitizing both men and women on the importance of transparency on family financial issues and family planning, mobilizing and sensitizing women about village bank, adjusting/developing products and delivery methodologies that meet the needs and concerns of women and promoting entrepreneurship and skills enhancement among women, (Lubega S, 2000).

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1. Recommendations from the research

The researcher made recommendation based on findings especially policies to guide village bank group regarding interest rate charged on members who borrow money. The village bank have been in existence for quite a long period but it has not received much needed support from government to make it more attractive to communities. It was the view of the researcher to recommend that the suggestions of members be addressed to improve the operations of village bank.

6.2. Recommendations for village banking.

The researcher through member's contribution recommends that village banks should reduce the interest rates. The reduction in interest rates can result into increase in actual amount of money a client might get. The reduction in interest rate can also reduce the repayment amount. The researcher observed that members are being charged security fees in some cases when they want to borrow school fees or asset loan when the motive of joining the village bank is to access the finance without going through complicated process. For village bank to make meaningful contribution there is need to work together with other partners such as non-governmental organizations to come with favourable services to make an impact on the members of the Chongo village of Monze District.

6.3. Recommendations for the government

The researcher is urging the government to set standard interest village bank should charge their members unlike the situation now where each group of village is at liberty to come up with any percentage they feel like without being challenged. Interest variation has potential to discourage members from borrowing from village bank group. It is a wish of the village bank participant the government should come on board to protect them when need arise.

6.4. Recommendations for MFI clients

The members of the village bank group should undergo training as this is critical to avoid default from members. The members who undergone for training were able to borrow and repay without challenges. The researcher observed that members who went through training always use the borrowed funds for intended purposes without diverting it into other programs. The researcher made recommendation to the village bank members from Chongo village of Monze District that it's important for members to be committed to one village bank at a time also not moving from one place to another as this have potential to place them into a group of members who are not stable.

6.5. Recommendations for further research

It was researcher's view that more research should be conducted in Chongo village of Monze District on impact of village banking on businesses. The research should focus on finding the factors which influence the members of community into joining several village banking group. It is the view of the researcher that members know if village bank groups have influence on business.

6.6. Conclusion

The study was conducted to investigate social economic impact of village bank on household income and benefits it brings to the livelihoods of village banking members in Chongo village of Monze District. The findings showed that there was significant impact showing that village bank has an effect to influence the social economic activities in Chongo village of Monze District. The results indicate that women are the ones participating most representing a percentage of 80% with remaining 20% being men. The money women borrow help them to start small business while some expand their already existing businesses in an to increase their income (Muzaale 1999:19). Mostly when women have an increase in income that translate into increase in household upkeep money even their purchasing power will increase to influence business. With exposure women are getting is resulting into giving them zeal of being influenced to (Muwanga, 2006).

Microfinance institutions (village banking) have a big role to play to influence social economic activities in Chongo village of Monze District. The researcher observed the same situation that microfinance institutions (village banking) influence social

economic as result improve the livelihood of the household members who are beneficially of village bank in Chongo Village of Monze District

The researcher also agrees with the findings, and the above analysis of conclusions confirms a role that Microfinance plays in the socio-economic livelihoods of women beneficiaries in Monze District. The benefits accrue to village bank members are explicitly explained in the research. The important aspect was to note that the study provided the first resource books for employees, policymakers, academicians, and development workers in Microfinance Monze District, Zambia, and worldwide.

6.8 Suggested Future Areas of Study

The study focused on assessing the effect of village banking on household income level a case study of Chongo village of Monze District. The researcher only tackled the issues related to the subject matter. However a few areas for further research were identified and these include: The researchers could examine the impact of loan in enhancing the investment in microfinance of financial institution, assessing the role of financial statement analysis in enhancing the management of financial performance of village bank.

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APPENDICES

Appendix 1: questionnaire for Households



Questionnaire for Households

Dear respondent,

Your participation is anonymous and all responses provided will only be used for the research purposes and no information will be made available to any third party. In addition, your participation is voluntary and you have the right to terminate participation at any time.

Finally, your participation in this research is highly valued and appreciated.

Doubt Hamweemba

MASTER OF SCIENCE IN ECONOMICS AND FINANCE

Please answer the following questions by ticking (√) the relevant block or writing down your answer in the space provided.

A. Bio Data

- 1. Age of Respondent: Years
- 2. Sex of Respondent: Male Female
- 3. Marital Status:
 - i. Single
 - ii. Married
 - iii. Divorced
 - iv. Widowed
- 4. What is your level of education?
 - i. Illiterate
 - ii. Primary
 - iii. Secondary
 - iv. College
 - v. University
- 5. What is your occupation?

B. GROUP DETAILS

- 6. Are you part of any VILLAGE BANK group?
 - i. Yes
 - ii. No
- 7. What is the name of this village bank group?
.....
- 8. How many members are in this group?
.....
- 9. For how long have you been in this group? (Month) (Year....
- 10. **10.** Have you ever had a problem of defaulting in your group? i. yes ii. No
- 11. If yes, how did you clear the debt for the defaulting member?
.....
.....
.....

12. What would you say has been the main cause of defaulting in your group?

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

13. If not, what measures have you put in place for members not to default in your group?.....

.....
.....

14. Do you think, the idea of paying for defaulters is a good one?

i. Yes

ii. No

Please explain.....

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

C. INDIVIDUAL BUSINESS

15. Do you have an individual business?

i. Yes

ii. No

16. What is the Name of this individual business?

.....

17. For how long have you been doing this business? (Months)
(Years)

18. Is this individual business registered?

i. Yes

ii. No

19. What type of individual business are you operating?

i. Grocery

ii. Poultry

iii. Agro shop

iv. Piggery

v. Gardening

vi. Others (Specify).....

20. What was your individual business 'approximate gains/profits and costs in the last six months?

	Profits or Gains (ZMK)	Costs (ZMK)
Last month		
The previous month		
Three month ago		
Four month ago		
Five months ago		
Six months ago		

D. PERSONAL ECONOMIC STATUS

21. Has your involvement in village banking improved financial standing in your home?

i. Yes

ii. No

22. How do you compare your financial status (income) now to the time before you joined the village banking?

i. Just the same

ii. Better now than before

iii. Worse now than before

iv. Not sure

23. If your answer to the above question is 2 or 3, do you think this change has been caused by your involvement in the village bank?

i. Yes

ii. No

24. Which of the following is true for your home, **at the moment?** (Please select one)

i. We don't have enough money for food

ii. We have enough money for food, but not other basic items such as clothes

iii. We have enough money for food and clothes but are very short of many other things

iv. We have the most important things but few luxury goods

v. We have money for luxury goods and extra things

25. Have you ever gotten any loan from village bank?

- i. Yes
- ii. No

26. If yes, on what have you used loans from VILLAGE BANK? (**Tick as many as appropriate**)

- i. Food and Farming inputs
- ii. clothes
- iii. School fees for children
- iv. Building a house
- v. Transport (e.g. buying a bicycle, motor cycle, van)
- vi. Others (specify).....

27. How much income on average do you receive monthly from VILLAGE BANK?
K.....

28. Which areas would you say have improved greatly due to your involvement in VILLAGE BANK?

- i. Social fund
- ii. Household savings
- iii. House hold expenditure and welfare
- iv. Health expenses
- v. Food security and nutrition
- vi. Availability of farming inputs
- vii. Paying School Fees

E. CHALLENGES

29. Have you faced any challenges after joining Village bank?

- i. Yes
- ii. No

30. If yes to the above, what challenges do you face while functioning with VILLAGE BANK? (select as many)

- i. Financial challenges
- ii. Market challenges for my business
- iii. Low input supply for my business
- iv. Domestic challenges
- v. Lack of adequate loan facility
- vi. Others (specify)

.....

31. Did you face any difficulties at the time of getting a loan from VILLAGE BANK?

- i. Yes
- ii. No

32. If yes please explain

.....

33. Did you get any type of training after joining Village bank?

- i. Yes
- ii. No

34. If yes, what type of training?

- i. Entrepreneurship training
- ii. Selection planning and management of Income Generating Activities
- iii. Business management training
- iv. Marketing training
- v. Others (specify)

.....

.....

35. If married, does your spouse get involved in decision making?

- i. Yes
- ii. No

36. Do you have any of the following business documents/records for the individual business? (Please tick as many as relevant)

- i. Business Plan
- ii. Records of all costs
- iii. Sales Records
- iv. Profit Records
- v. Stock control record vi. Invoices from your customer

37. Which of these documents have you **started using in the last year?**

- i. Business Plan
- i. Records of all costs
- ii. Sales Records iv. Profit Records
- vi. Stock control record
- vii. Invoices from your customer

38. If yes, who will decide for which purpose loan amount be utilised?

Appendix 2: Questionnaire for Non-Village Bank members

A. Introduction

Dear, Sir/Madam, I am here for the research purpose **MEASURING THE EFFECTS OF VILLAGE BANKING PROGRAMME ON HOUSEHOLD INCOME – CASE STUDY OF CHONGO VILLAGE OF MONZE DISTRICT**

All questions and all information's provided will strictly be treated confidentially.
Thanks.

Questionnaire#.....	Date...../...../.....
Interviewer.....	Agricultural Camp.....
Village.....	Name of respondent (optional)..... .

B. Background information

Please tick (v) where appropriate.

- Sex of respondent. Female=1 Male=2
- What is your age?
3. Marital status Single=1 Married=2 Divorce=3 Widow=4
Separated=5
4. Education level of respondent. Non=1 Adult = 2 Primary = 3 Secondary = 4
Others (specify) = 6

C. Household background

5. Household composition:

S/N	Name	Date of Birth	Sex	Relationship With Respondent	Main Occupation

6. Are your children schooling? Yes=1 No=2

7. If no, explain why?

.....

D. Economic activities

8. What is your major economic activity? Farming = 1 Livestock keeping (specify) = 2 Both 1 and 2 = 3 Civil servant = 4 Non-farm business (specify) = 5

9. Which year did you start that activity?

.....

10. What is your average income level per month (Kwacha)?

.....

11. Had you receive any loan from anywhere for the activities? Yes = 1 No = 2

12. If yes, where?

13. If no, why?

.....

14. Was it enough for your requirements? Yes = 1 No = 2

15. Can you recall of the amount of capital you have when starting this activity? Yes = 1 Don't remember = 2

16. If yes, how much?

17. Where did you get capital? Friends = 1 Donor = 2 others (specify) = 3

18. How did you spend the profit from your business?

.....

19. Does the income generated cover household basic needs? Yes = 1 No = 2

20. If yes, what are the basic needs?

a).....b).....c).....d).....

21. If no, why?

22. What are the challenges facing your micro business?

.....
.....

E. About Village Banking

23. Are you aware of existence of Microfinance institutions in your area? Yes = 1
No = 2

24. If yes, mention some.

a).....b).....

c).....d).....

25. Do you have membership to any Microfinance institution? Yes = 1 No = 2

26. If yes, mention a) b) c)
..... d).....

27. If no, why?

F. About Village Banking

28. Have you ever heard about Village banking? Yes = 1 No = 2

29. If yes, where?

30. Do you think Village banking can help in alleviate income poverty?
.....
...

31. In your opinion do you think Village banking is priority? Yes = 1 No = 2

32. If yes, why are you not a member?

.....
.....

33. If no, what were your priorities?

.....
.....

34. Can you tell me why are you not joining Village banking?

.....
.....

G. Aspect of income poverty

35. What do you understand by the term income poverty?

.....
.....

36. What is the most common indicator of income poverty?

.....
.....

37. What do you think are the causes of income poverty?

.....
.....

THANK YOU FOR YOUR COOPERATION