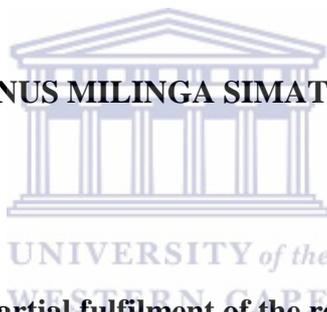


THE UNIVERSITY OF THE WESTERN CAPE



**MICROFINANCE AND POVERTY
ALLEVIATION: A STUDY OF THREE SAVINGS
AND CREDIT ASSOCIATIONS, CAPRIVI
REGION, NAMIBIA**

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A mini-thesis submitted in partial fulfilment of the requirements for the degree of

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1. Microfinance
2. Savings and Credit Associations
3. Income
4. Poverty Reduction
5. Savings
6. Loans
7. Rural Development
8. Village Bank
9. Microcredit
10. Sustainable Livelihoods



DECLARATION

I declare that *Microfinance and Poverty Alleviation: A study of three Savings and Credit Associations, Caprivi Region, Namibia* is my own work, that it has not been submitted before for any degree, or examination at any other University, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Linus Milinga Simataa

.....

.....

SIGNED

DATE



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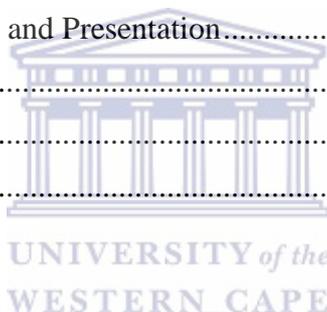
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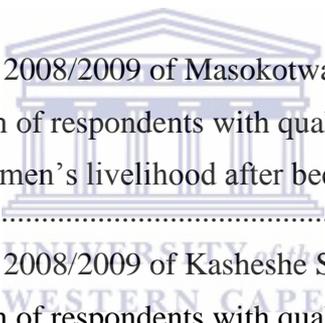
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ABBREVIATIONS

AALS:	Affirmative Action Loan Scheme
BIG:	Basic Income Grant
CCN:	Council of Churches in Namibia
CD:	Co-operation for Development
CISP:	International Committee for People
COSEDA:	Community Small Enterprise Development Agency
DCD:	Division of Co-operative Development
DFID:	Development for International Development
DFN:	Development Fund of Namibia
IMF:	International Monetary Fund
MDG:	Millennium Development Goals
MFI:	Microfinance Institution
NACP:	National Agricultural Credit Programme
NDC:	National Development Co-operation
NAMFISA:	Namibia Financial Institutions Supervisory Scheme
NAMTAX:	Namibian Government Tax Consortium
NANGOF:	Namibian NGO Forum
NANASO:	Namibian Network of AIDS Service Organizations
NGO:	Non-Governmental Organization
NNAWIB:	Namibia National Women in Business Development
NUNW:	Namibian Union of Namibian Workers
OECD:	Organisation for Economic Co-operation and Development
RISE:	Rural People's Institute for Social Empowerment
ROSCA:	Rotating Savings and Credit Association
SACCO:	Savings and Credit Co-operatives
SBCGS:	Small Business Credit Guarantee Schemes
SCAs:	Savings and Credit Associations
SME:	Small Medium Enterprise
SLA:	Sustainable Livelihood Approach
SPSS:	Statistical Package for Social Sciences
UNDP:	United Nations Development Programmes
UN:	United Nations

ABSTRACT

According to Professor Muhammed Yunus, Nobel Prize winner in 2006 and the founder of the internationally acclaimed Grameen Bank in Bangladesh, microfinance is a viable solution to poverty alleviation among the poorest people residing in rural areas. Microfinance programs have led to poverty alleviation and empowerment of especially rural based women of developing societies, as they enable the poor to manage their finances and cope with unpredictable shocks and emergencies (Yunus, 2007).

This research evaluated the developmental impact of microfinance on poverty alleviation and women empowerment. It assessed the impact of the existing microfinance programmes among the members of the three microfinance Savings and Credit Associations (SCAs) in the rural areas of the Caprivi region of Namibia. This study explored whether microfinance programs have helped their members to minimize financial vulnerability through diversification of income sources and accumulation of assets.

The research employed both qualitative and quantitative research designs. Data were collected through different qualitative and quantitative techniques (in-depth individual interviews, face-to-face interviews, questionnaire and questionnaire schedule).

Summary findings indicate that the SCAs has positively contributed to the socio-economic improvement in the living standards (contribution to livelihood – increased income, enhanced health, and food status), improved education/healthcare, women empowerment through micro enterprise training and skill development. However, SCAs are still struggling with challenges, such as lack of income, high default rates and unprofitable micro enterprises.

This research makes several recommendations, including: MFIs should concentrate on women's economic empowerment as their main aim, incentives should be provided to the MFIs to encourage savings and investment amongst the poor, and if microfinance is to be used as a promotional tool for credit and saving services for the poor, then the socio-economic consequences of micro-credit lending have to be re-investigated, especially when they negatively impact on poverty reduction.

CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

Optimists in the field of development regard microfinance as the solution for global poverty. Many regard the practice of extending financial access to the poor through small loans as a necessary and important tool in the developmental process. The initial and principal objective of microfinance has been outlined as poverty alleviation. For decades, the use of microfinance has been widespread and playing a far-reaching function for poor people in less developed countries (Mayoux, 1999). The extensive evidence from research around the world has demonstrated that microfinance is an effectual and innovative tool for alleviating poverty (Simanowitz *et al.*, 2000).

Microfinance can be used for a variety of purposes based on the priority of needs and, therefore, productive opportunities can be made accessible to generate income. It is normally believed that microfinance programmes will elevate incomes and expand financial markets by primarily providing credit, amongst other services, to small-scale entrepreneurs (Aghion & Morduch, 2000). Microfinance is a tool used to improve the quality of life of people with inadequate access to endless financing. Microfinance is an efficient tool for alleviating poverty, predominantly in the isolated rural areas where poor people have no access to financial institutions and rely on informal finance (Moll, 2005). Research evidence reveals that microfinance boosts the ability to deal with the risky situations which previously forced poor people to sell their productive assets, such as land and livestock (Khandker, 2000). Ultimately, it can be concluded that microfinance plays a vital role and its economic and social benefits are immense. The challenge is to promote good practice in microfinance procedures and enhance the outreach to the poor on a sustainable basis (Mallick, 2002).

This chapter introduces the study to the readers. It provides a general background to the study with specific overviews of Namibia's economy, microfinance at the national level and the case study area of the Caprivi region. The problem statements, objectives, significance of the study, definition of the key concepts are also presented. The chapter concludes with an outline of the remaining chapters of the thesis.

1.2 BACKGROUND TO THE STUDY

A number of studies have shown that imperfect access to microfinance is one of the main constraints preventing the poor from breaking the vicious cycle of poverty (Ledgerwood, 1999; Moll, 2003; Brock, 2003; Hulme, 2008). Research results, however, do suggest that poor people, who participate in microfinance services, have their livelihoods altered for the better (Ledgerwood, 1999; Hulme, 2008). According to Johnson and Rogaly (1997), Mayoux (2000) and Hulme (2008), microfinance initiatives are the most appropriate strategy or tool to wrestle with rural poverty and have proved to be successful in countless situations.

Ledgerwood (1998), Robinson (2001), Yunus (2007), and Sengupta and Aubuchon (2008), affirm that microfinance institutions tend to cultivate the culture of savings among members, consequent upon the provision of microfinance. This leads to the creation of financial safety nets, thus enabling the poor to survive unpredictable shocks and emergencies such as death, mounting funeral costs due to AIDS-related death and natural disasters. Microfinance, in addition, assists households to deal with crucially important consumption demands such as food, healthcare, clothing and education-related expenses.

A study by Yunus (2007) showed that women are the likely borrowers of most microfinance institutions. This is because they tend to spend their borrowing more sensibly and productively than men. This is thought to enhance their empowerment in such areas as self-assurance, physical mobility, economic security and community participation. Vonderlack (2001), and Pronky *et al.* (2007), observed that microfinance builds self-belief in members, resulting in eagerness to take risks such as starting a new or expanding an existing business. Partaking in microfinance programmes is coupled with increased investment in children's education, the member's sense of self in the form of self-empowerment, enhancing self-confidence and keenness to take risks. It also influences nutritional outcomes at household level for members (Ledgerwood, 1998; Tewoldeberhan, 2003).

The United Nations (2000), in adopting the Millennium Development Goals (MDG) with the target of halving poverty by 2015, outlined the major role microfinance can play in poverty suppression and development, which includes the following:

- Assist the poor in consumption smoothening;
- Enable the poor to handle their risks or emergencies better;

- Put the poor in a position to accumulate their assets progressively;
- Enable impoverished livelihoods to expand their microenterprises;
- Develop the income-earning capacity of poor households;
- Enable the poor to enjoy better quality of life;
- Facilitate enhanced access and efficient provision of savings, credit and insurance facilities to people and households traditionally not serviced by the formal banking institutions; and
- Empower poor (and vulnerable) women through economic participation and promotion of gender equality.

It thus appears that, if properly harnessed, microfinance can make a profound difference in the lives of the poor and vulnerable women.

1.2.1 Brief Overview of Namibia's Economy

Namibia, a country with an estimated population of 2 million people (Namibia Trade Directory, 2008), is faced with numerous developmental challenges, with the most profound being widespread and persistent high poverty levels. It is estimated that around 35% of the country's population are poor (CIA World Fact Book, 2008; Namibia Trade Directory, 2008). Poverty thus has been one of the core developmental challenges since independence in 1990. It has numerous dimensions encompassing income/expenditure/consumption, low human development, social exclusion, lack of capacity and function, relative deprivation, vulnerability and lack of means to meet basic needs.

Policies, strategies and plans have been designed by the Namibian government to constructively and decisively reduce rural poverty, but no really satisfactory results have been evident as yet (CIA World Fact Book, 2008). Other than poverty, high unemployment also poses a challenge to development. The unemployment rate is estimated to be between 30 and 40% (CIA World Fact Book, 2008; Namibia Trade Directory, 2008). Unemployment is attributed to very low and fluctuating annual economic growth (CIA World Fact Book, 2008; Namibia Trade Directory, 2008) and is highest amongst the youth (15 to 24 year olds). For this group, unemployment is much higher, estimated at about 60%, which is one of the highest unemployment rates in Africa (National Planning Commission, 2007). The high

unemployment rates have been attributed to the discriminatory history of the country, as the unemployed primarily include previously disadvantaged Africans who were offered either inferior education or had no access to proper education (National Planning Commission, 2007).

The economic growth of Namibia has been disappointing over the recent past. In the last 10 years, the average annual real GDP growth hovered around 4.2%. The highest growth rate recorded was 6.7% in 2002. Since 2004, real growth rates have declined from 6.6% in 2004, to 3.8% in 2007, and slightly increased to 4.5% in 2008. Given that economic growth is essential for poverty reduction, this annual economic growth of 4.2% is below the universal 6% threshold needed to substantially reduce poverty rates in Namibia (Development Bank of Namibia, 2008; Namibia Trade Directory, 2008).

While Namibia has one of the higher GDP per capita of US\$6,270 in 2008 among Sub-Saharan African countries, it also has one of the most unequal distributions of income and wealth in the world. In 2004 the Gini Coefficient¹ was 0.6 compared to the average of 0.43 for all Middle Income Countries (MICs). The very high extent of inequality is not beneficial for sustained and equitable economic growth, social cohesion and poverty reduction (Le Roux, 2004; World Bank Report, 2010). In light of the above, and in relation to its per capita GDP, it can be concluded that Namibia suffers from a high poverty rate.

The Namibia Household Income and Expenditure Survey (NHIES) use the Food Consumption Ratio (FCR) to measure poverty. The National Planning Commission (2006) defines FCR as the percentage of food and beverage consumption as a basic indicator of poverty in Namibia. For example, a household is classified as being relatively poor, if it uses more than 60% of its expenditure budget on food, and as being extremely poor if such expenditure exceeds 80% (National Planning Commission, 2007). Based on the FCR profile in Namibia, 35.8% of the Namibian households were relatively poor, and 8.7% were extremely poor according to the 1993/1994 survey.

Extreme poverty is widespread in the economically under-developed rural areas of Namibia, where more than 70% of Namibians live. The vast majority of the rural population depends on

¹ Gini coefficient measures a society's ratio of income inequality on a scale of between 0-1. If all the country's income were earned by one person, the Gini coefficient would be 1. If all income were equally distributed, the Gini coefficient would be 0. The higher the Gini coefficient between 0 and 1, the more unequally the society's income is distributed.

subsistence agriculture for their livelihoods and any decrease of income, for example, through regular harvest failure, plant and animal diseases, environmental damage and losses of labour through death, impacts severely on households. This increases poverty levels as most households in rural areas frequently spend more than 60% of their total income just on foodstuff.

The incidence of poverty varies regionally in Namibia. According to the Human Poverty indicator (HPI), which combines nutrition, life expectancy, illiteracy and access to water and health, the poverty rate is the highest in Caprivi (39.6%) followed by Ohangwena (34.2%), Omaheke (33.4%), Oshikoto (32.9%) and Kavango (32.6%). Other regions have an HPI of below 30% (UNDP, 2007).

1.3 BRIEF OVERVIEW OF MICROFINANCE AT NATIONAL LEVEL

The concept of microfinance is still new in Namibian development discourse and, as a result, there is not much data available on microfinance provision. A UNDP (2002) study of Namibia stated that the universal performance of microfinance services thus far has been inadequate, due to narrow outreach, soaring default rates, inefficiency and ineffectiveness. Within this section institutions that are involved in the provision of microfinance will be outlined and this will be followed by an examination of programmes that have been established to reduce poverty.

1.3.1 Institutions involved in the provision of provision of microfinance

This study identified six types of institutions that are involved in the provision of microfinance in Namibia. These institutions include the following:

Banking institutions supervised by the Central Bank: These are commercial banks that provide microcredit to those who have regular sources of income, such as employed people with a salary, and to Small Medium Enterprises (SME), through small business credit guarantee schemes (SBCGS).

Non-Banking Financial Institutions regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA): These are institutions such as micro lenders, and hire purchase and leasing institutions. According to NAMFISA, there are more than 100 micro

lenders in operation in Namibia, of which around 80 are registered. Most are located in urban areas, providing micro credit to people with regular salaries.

Public Financial Corporations: These institutions are registered under the following acts: Agricultural Bank Act, No. 73 of 1968; Post and Telecom Act, No. 19 of 1992; and the Development Act, No. 18 of 1993. This group includes the Agricultural Bank of Namibia, the Namibia Development Corporation, and the Post Office Savings Bank.

The main microfinance product of the Agricultural Bank is the Affirmative Action Loan Scheme that offers small loans to emerging farmers to acquire livestock (Mushendami *et al.*, 2004). The Namibia Development Corporation lends small loans to emerging business enterprises, while the Post Office Savings Bank renders savings and money transfer facilities to small account holders.

Savings and Credit co-operatives (SACCCOs): These cooperative bodies operate as financial mediators, are administered by the Ministry of Agriculture, Water and Rural Development, and are legally permitted to receive deposits from their members. Other types of cooperatives are consumer, housing, agricultural and multi-purpose cooperatives. From 103 conditionally registered cooperatives, only 2 are completely registered with the Division of Cooperatives, and a mere 15% as savings and credit schemes. SACCOs are the only institutions in Namibia which provide both savings and credit services (Mushendami *et al.*, 2004).

Non-governmental organisations (NGOs): There are several local and international agencies registered as non-governmental organisations (NGOs). They include: the Namibia National Women in Business (NNAWIB), the Rural People's Institute for Social Empowerment in Namibia (RISE), the International Committee for People Development (CISP), the Co-operation for Development (CD), Lisikamena, and the Community Small Enterprise Development Agency (COSEDA). Presently, NGOs operating in Namibia provide savings and credit services to the poor, and mostly to people who access loans from the formal banking cannot sector due to lack of collateral (Mushendami *et al.*, 2004).

Unregulated informal institutions: These are institutions that function with no official recognition or regulation. They are comprised of informal moneylenders, and indigenous traditional rotating savings and credit schemes. They do not provide any form of insurance

(that is, in case of death or other emergencies) or savings facility. These types of schemes, however, are not common in Namibia.

1.3.2 Poverty Reduction Programmes

Since independence, the Government of Namibia has pursued policies and programmes to reduce poverty, including the Rural Poverty Reduction Programme (RPRP) in 1998 (National Planning Commission, 2005) and the Basic Income Grant.

1.3.2.1 Rural Poverty Reduction Programme

The Rural Poverty Reduction Programme is intended to contribute to sustainable development in Namibia and to strengthen sustainable rural livelihoods in the process. It is established to support the Namibian Government in implementing its national Poverty Reduction Strategy and reinforce the capacities of the institutions and organisations involved. Income-generating activities on the central, regional and local levels are also considered.

The RPRP includes the following components:

- institutional support;
- qualification of local human resources, for example, through courses and seminars;
- financial support for the construction of rural access connections and water supply;
- advisory services for clients; and
- implementation of decentralised activities to boost the local economy, such as the strengthening of small and medium-sized enterprises and regional tourism (National Planning Commission, 2005).

The Rural Poverty Reduction Programme aims to contribute to sustainable development in Namibia by reducing rural poverty. It resorts under the National Planning Commission Secretariat of Namibia and is funded by the European Commission through a grant of Euro 53 million. Its implementation stage was from 2005 to 2009. The Programme included support to the Government of Namibia's land reform efforts, the construction of rural access roads, water pipelines and water points, as well as investments in rural economic development activities through its Decentralised Demand Driven Actions (DDDA) component. The

programme further encompassed support to enable national and regional institutions to formulate actions, coordinate implementation, and monitor implementation and impact.

The objective of the DDDA component is to reduce rural poverty by financially supporting projects which directly stimulate rural economic activity by increasing output and productivity, raising incomes and creating employment for the rural poor through the funding of projects. All projects must be environmentally sustainable, facilitate HIV/AIDS awareness and mitigation, and must empower women as decision-makers at all project levels. Funding of Euro 15 million or about N\$120 million is available to support such projects. It is required that DDDA project proposals must seek to provide services, infrastructure, finance, materials and equipment which will have a direct impact on rural economic development and poverty reduction in the following fields:

- increasing and diversifying on- and off-farm income generation;
- developing community-based tourism enterprises;
- developing rural small and medium enterprises; and (of significance to this study)
- increasing access to rural finance.

The above fields are not mutually exclusive and as such lend themselves to integrated projects. The focus of the DDDA is to have a demonstrable impact in terms of rural poverty reduction. Under this component, project proposals included an economic analysis of expected impacts of impoverished livelihoods. Project beneficiaries had been rural households and communities in a specified constituency, region or regions. Projects were started by December 2006 and were intended to be completed by December, 2008. The last 2-3 months were utilised for narrative and financial reporting and audits (National Planning Commission Secretariat, 2006).

1.3.2.2 Basic Income Grant (BIG²) Pilot Project in Otjivero-Omitara Community

The Basic Income Grant is a money transfer from the government of N\$100 per person per month to citizens under the age of 60 years. Citizens are free to spend the grant as they wish. In January 2008, the BIG pilot project started in Otjivero-Omitara, 100 kilometres east of

² Basic Income Grant: cash transfer to every citizen irrespective of the economic status, employed or unemployed e.g., N\$100 every month (Le Roux, 2004).

Windhoek. The grant is given to residents listed as residing in Otjivero-Omitara since July 2007, regardless of their social and economic status.

This BIG pilot project was planned and executed by the Namibian Basic Income Grant Coalition and was launched in 2004 and represents the first universal cash-transfer pilot project in the world. The BIG Coalition aims to pilot the Namibian Government's Tax Consortium (NAMTAX) proposal of awarding a basic income grant throughout Namibia. Thus, the BIG Coalition considers this project as the pilot for the rest of the country. The BIG Coalition consists of four big umbrella bodies in Namibia, that is, the Council of Churches (CCN), the Namibian Union of Namibian Workers (NUNW), the Namibian NGO Forum (NANGOF) and the Namibian Network of AIDS Service Organisations (NANASO).

Finances to initiate the pilot project were collected through voluntary contributions from supporters of the idea from all sections of Namibia's society, and by support from people, churches, organisations and donors in other countries. The BIG pilot project was planned to exist for a period of 24 months, up to December 2009. The BIG pilot project had yielded both tangible and non-tangible results in the community of Otjivero-Omitara and drastically improved the social and economic status of the community (Haarmann *et al.*, 2009).

This limited pilot project has yet to receive the support of the Namibian authorities. The latest pronouncements by government suggest the chances of the rolling out of the BIG programme nationally are slim (Haarmann *et al.*, 2009).

1.4 BRIEF OVERVIEW OF THE CASE STUDY AREA

The Caprivi district is bordered by Angola in the northwest, in the north by Zambia, in the South by Botswana, and in the east by Zimbabwe (Neethling-Bruwer, 2004). After independence in 1990, Namibia was divided into 13 regions. Caprivi is one of the 13 regions, with a population of about 80,000, comprising about 4% of Namibia's population. Around 72% of the residents of Caprivi live in rural areas, while the remaining 28% live in a more urban context (Population and Housing Census, 2001).

The Caprivi district is one of the poorest regions in the country, even though it is blessed with the country's highest rainfall, and has the potential to become Namibia's breadbasket (Population and Housing Census, 2001). Almost 40% of this region's households are poor, compared to the country's average of 29%. The region has a 40% HIV infection rate, making

it the highest in the country with a low life expectancy of just 43 years (Gaomas, 2006). This high prevalence of HIV positive people profoundly worsens the chronic poverty situation troubling the region. According to the Population and Housing Census, 2001, wages and salaries is the primary source of income in the Caprivi region, that is, 30%, while farming, as the main source of income, was reported by 28% of the households.

Major differences exist between urban and rural areas. Whereas about 64% of the households in urban areas reported wages and salaries as their main source of income, the matching percentage for the rural areas was only 16. Farming was the main source of income for the rural areas, 38%. With an agriculture-based subsistence economy in rural areas, livelihoods are consistently under threat from droughts, floods and diseases. There is high rainfall variability in the region. The risks of falling deeper into poverty are increased by the occurrence of natural disasters, such as floods and drought, which lead to the loss of productive assets (Population and Housing Census, 2001).

The rural areas of the Caprivi region have been selected as the case study area for this research because unemployment, poverty and general underdevelopment and deprivation are substantially worse in these settings compared to the urban areas of Namibia. Also, the rural areas of Caprivi region are easily accessible, as they are not far from each other. Finally, because they spoke the same language, communication between the researcher and the rural people would be enhanced.

1.5 STATEMENT OF THE RESEARCH PROBLEM

It is argued that poor people own numerous types of skills, such as self-employment, that they can use in generating income. The capacity to create self-employment, however, depends, amongst others, on the accessibility to appropriate financial services. However, in Namibia, despite numerous efforts made by the Government, NGOs, commercial banks and micro lenders, poor rural households and individuals still face challenges in accessing suitable quality micro financial services. Research suggests that the foremost cause for this could be a pervasive lack of collateral (Mushendami *et al.*, 2004).

Also, while there is apparent general consensus on how lowering unemployment and income inequality can reduce poverty, a clear indication of how access to microfinance can cut poverty levels in Namibia has not yet been established. There is also no consensus in the

literature regarding the real impact of microfinance on vulnerable households, especially on the poorest sector of society. This is despite the fact that an intriguing and vibrant debate is raging elsewhere about the real effectiveness of microfinance as a tool for directly reducing poverty, and the type of livelihoods and people it benefits (Pronyk, 2007). Thus, the role of microfinance as a poverty alleviation tool among poor households is a field which requires research and analysis. This study endeavours to make a contribution in this regard by, firstly, exploring the perceived impact of Microfinance Institutions (MFIs) on the members of the three Savings and Credit Associations (SCAs) and, secondly, to identify the challenges that these SCAs face when using microfinance as a poverty mitigation intervention tool.

1.6 AIMS AND OBJECTIVES OF THE STUDY

The overall aim of the study is to assess the perceived impact of microfinance within the three microfinance Savings and Credit Associations (SCAs) on its members and to identify the challenges facing the Savings and Credit Associations. The specific objectives of the study are to investigate:

- whether access to microfinance has improved the socio-economic status of members of the three SCAs in terms of income, health and education;
- whether access to microfinance enhances opportunities of members of the three SCAs to access productive assets to start micro businesses;
- whether access to microfinance has resulted in the enhancement of the socio-economic status of female members of the three SCAs; and
- the types of constraints facing the three Caprivi Savings and Credit Associations.

1.7 SIGNIFICANCE OF THE STUDY

The significance of this study can be traced to the strong global belief that access to microfinance can empower the poor to move themselves out of poverty cycles. However, in Namibia, regardless of numerous efforts made by the government, NGOs, commercial banks and micro lenders, the vast majority of rural households and the urban poor still face major challenges in accessing financial institutions, including micro financial services (Mushendami *et al.*, 2004). This is partly due to the fact that they lack the collateral needed to secure credit, while commercial banks, the providers of loans and other products and services, do not

operate in many deep rural localities. Their financial needs, therefore, are mostly ignored, making them particularly vulnerable to shocks and trends.

Most commercial banks are located in urban areas and the vast distances between rural and urban areas are often a limiting factor for financial services to be accessed by the poor. Also, the Namibian population is widely scattered, with often very poor rural infrastructure. This creates challenges for banks to effectively and sustainably provide financial services for the poor (Mushendami *et al.*, 2004).

Impoverished rural households need safe places and instruments to securely keep their assets. The common available means of savings for these people are in the form of building stocks of cattle, goats, sheep, and chickens, as well as other livestock. Saving is also done by hiding money under mattresses and in tins that are buried. At the moment there is very little capacity to transfer money in the form of remittances, either from, but more importantly, to the rural areas of Namibia. The availability of more modernized banking systems and facilities will arguably speed the transfer of money between towns and rural areas (Mushendami *et al.*, 2004).

The introduction of microfinance institutions and products by the Rural People's Institute for Social Empowerment (RISE Namibia)³ in 1999 was expected to significant impact this vacuum in banking services, as well as on poverty alleviation initiatives in the rural areas of Namibia (Katswara, 2006). However, there is little evidence to suggest that this has happened. An impact assessment needs to be carried out to verify the positive influence (if any) of this social intervention. Therefore, there is a need for a deeper analysis of the possible association or relationship between microfinance and its perceived impact on poverty alleviation as proposed in this study.

The concept of microfinance is relatively new in the Namibian context, with very limited data available on microfinance services and particularly their presumed impact. An investigation into the operations, structures, services, products and possible impact of the current SCAs operating in Caprivi region, will hopefully contribute to filling this void to some extent.

³ RISE Namibia is a Non-Governmental Organization (NGO). It started its operations in Namibia in 1999 with the mission of facilitating the materialization of new community-based institutions, and/or reinforcement of existing grassroots-based organizations, through which the poor can endorse their socio-economic development. The organization provides microfinance to Savings and Credit Association formations, and operates on a village banking model. This means lending the money to the poor rural people and accepting savings from low-income people.

Such information could assist in improving the efficiency of Microfinance Institutions and hence play a role in addressing rural poverty. Against the background of the potentially strategic role that quality and well-functioning microfinance institutions can play in the reduction of poverty of the rural people in Namibia, it is important to illuminate, through systematic research, the shortcomings and constraints that are inhibiting their performance at present and develop strategies to improve their efficacy.

1.8 DEFINITION OF THE KEY CONCEPTS

There are a number of commonly used terms in the field of microfinance. It is of utmost importance to clearly define and clarify terms often used in this study for the sake of conceptual clarity.

These concepts are: *Microfinance, micro financial institutions, village banks, rural areas, poverty, poor and poorest of the poorest, poverty, loan, livelihoods, empowerment, savings, safety nets, capital, poverty reduction (or poverty alleviation), rural development, income and microcredit.*

According to Robinson (2001), **microfinance** is small-scale financial services, primarily credit and savings, provided to the poor who have no access to the capital necessary to commence small businesses or other income-generating activities. The Microfinance Gateway (2008) defines microfinance as a practice of offering very poor families with very small loans to help them engage in productive activities or expand their tiny businesses.

Microfinance Institutions (MFIs) are defined as organizations that offer small amounts of credit and other small-scale financial services to members who lack access to the formal banking systems (Schick's, 2007). Microfinance Institutions refer to a wider variety of organisations devoted to providing services, for example, NGOs, credit unions, cooperatives, private commercial banks, non-banking financial institutions and parts of state-owned banks (Mawa, 2008).

Village Banks are community managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Ledgerwood, 1998).

Livelihoods comprise the capabilities, assets (financial, human, physical, natural resource and social) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or build on available capabilities and assets, and does not undermine the natural resource base (Chambers & Conway, 1991).

Empowerment refers to the “process by which those who have been denied the ability to make strategic life choices acquire such an ability”, where strategic choices are “critical for people to live the lives they want” (Yunus, 2007). Microfinance helps empower the poor, especially women, to build social capital (that is, women can share ideas and views with others without any fear) and this benefits the society in general. Poor people are empowered when they access financial resources, like credit, and begin to use their skills to invest in income-generating activities, like embroidering, weaving, running fisheries, poultry-breeding and cultivating vegetables (Gulli & Berger, 1999).

Savings refers to the money put aside for future use, or when the need arises, for example, in case of an emergency (Yunus, 2007), whilst **Safety Nets** refer to guarantees of financial security (Morduch, 1999).

Poverty is defined as “lack of the means to provide for one’s material needs, little or no wealth or possession, little or no food, or living below the bread line” (NIED, Ministry of Basic Education and Culture, 1998:226). Khawari (2004) defined poverty as a situation characterised by harsh deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information.

Poverty Reduction is any process which seeks to decrease the intensity of poverty in a community, or amongst a group of people or countries. Poverty reduction programmes may be aimed at economic or non-economic poverty. Some of the well-known methods used are education, income distribution, and economic development. Poverty reduction efforts may also be aimed at reducing social and legal barriers to income growth among the poor (Lashley, 2004).

Microcredit refers to the “provision of credit services to low income clients, usually in the form of small loans for micro enterprises and income-generating activities” (Bakhtiari, 2006).

1.9 CHAPTER OUTLINE

Chapter 1 introduced the study to the readers. It provided a general background to the investigation with an overview of Namibia's economy, microfinance at the national level and the case study area of the Caprivi region. The problem statement, objectives of the study, significance of the research and definition of the key concepts were also presented.

Chapter 2 (**entitled Theoretical Framework and Literature Review**) presents the literature review and theoretical framework of the study.

Chapter 3 (**entitled Research Design and Methodology**) describes the research design and methodology used to collect and process the data.

Chapter 4 (**entitled Presentation of Research Findings**) presents the research results, analysis and discussion of the research findings.

Chapter 5 (**entitled Summary, Conclusion and Recommendations**) presents a summary of the research, concluding remarks and recommendations.



CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

This chapter provides an overview of the relevant literature on microfinance, the theoretical framework of the study, an overview of Rotating Savings and Credit Associations (ROSCA), the Savings and Credit Associations (SCA) in the rural areas of the Caprivi region, and the key principle and methodology of the Sustainable Livelihood Approach (SLA) employed in this research.

2.2 OVERVIEW OF MICROFINANCE

Microfinance, according to several researchers, (Johnson & Rogaly, 1997; Mayoux, 2001; Hulme, 2008), has over the last three decades increasingly been viewed to be one of the most appropriate tools to fight rural poverty. Robinson (2001:9) states that microfinance is:

“small scale financial services primarily credit and savings - provided to people who farm, fish or herd, who operate small enterprises, or micro enterprises, where goods are produced, recycled, repaired or sold, who provide services, who work for wages or commissions, who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools to other individuals and groups at local levels of developing countries, both rural and urban”.

Microfinance can be defined also as the provision of financial services, such as loans, savings, insurance, and training to people living in poverty (The Microfinance Gateway, 2008). In addition, it can be regarded as the practice of providing much of the poor in the developing world with admittance to financial services they would otherwise be forced to do without (Hossain, 2002).

The genesis of microfinance, as we know it today, is entrenched in the history of its founding father, Muhammad Yunus who is often referred to as the “Banker to the Poor” after the title

of his books by the same name. Born in Bangladesh, he grew up bordered by extreme poverty and the informal economy. He went on to become a Fulbright scholar and graduated with a Ph.D. in Economics at Vanderbilt University before returning to his home country of Bangladesh and getting involved in the fight against poverty (Yunus, 2003).

Yunus founded Grameen Bank, a microfinance organization, in Bangladesh in October 1983. The bank offers credit to the poor of the poorest in rural Bangladesh (Mawa, 2008) and gives out small loans (known as microcredit) to the penniless, without requiring collateral. Grameen Bank and its founder were jointly awarded the Nobel Peace Prize (2006). Yunus believes that 5% of Grameen Bank's clients move out poverty each year (Grameen Bank, 2011).

Researchers have indicated that microfinance has been successful in many developing communities as interventionist tools. For instance, Sengupta and Aubuchon (2008), Yunus (2007), Robinson (2001), and Ledgerwood (1998) state that microfinance institutions cultivate the culture of savings among members, consequent upon the provision of microfinance. This leads to the creation of financial safety nets, enabling the poor to cope with unpredictable shocks and emergencies, such as sickness, death, increased funeral costs due to AIDS-related deaths, as well as cope well with natural disasters.

In addition, access to micro finance enables members to enjoy improved livelihoods. Examples include being able to pay for basic necessities, such as food, healthcare and education expenses. It also influences nutritional outcomes at household level for members (Tewoldeberhan, 2003; Ledgerwood, 1998). Yunus (2007) showed that, globally, women are the preferred borrowers of most microfinance institutions. This is because they are regarded as more liable borrowers, who tend to spend their borrowing more sensibly and productively than men. This is believed to have enhanced their empowerment in such areas as self-confidence, physical mobility, economic security, public participation, and generally becoming more conscious of their rights. Pronyk, Hargreaves and Morduch (2007) and Vonderlack (2001) have observed that microfinance builds confidence in members, resulting in a willingness to take risks, such as starting or expanding a business. Partaking in microfinance programmes is allied with increased investment in children's education, growth in members' sense of self-esteem in the form of self-empowerment, enhanced self-confidence, and an eagerness to take risks.

Several studies propose that access to microfinance add to poverty reduction, especially for female participants, and to overall poverty reduction at the village level (Datta, 2004). Microfinance thus helps not only poor participants but also the local economy. For example, Bangladesh has been a forerunner in the microfinance industry since the early 1980s and today is home to the most extensive microfinance operations in the world. In Bangladesh and elsewhere around the world, the microfinance process supports mainly the poor and women occupied in informal activities (Wright, 2000). Microfinance programmes also provide skill-based training to supplement productivity, organizational support and consciousness-raising training to empower the poor (Khandker, 2005).

Apart from its success in the developing world, microfinance has received increasing support from the international community. The United Nations affirmed 2005 as the International Year of Microcredit in honour of its continued work to bring financial services to the underserved poor. UN Secretary General Kofi Annan expressed the significance of microfinance to the developing world in a speech saying, “the greatest challenge before us is to address the constraints that exclude people from full participation in the financial sector” (Barr, Kumar & Litan, 2007). Microfinance directly addresses this challenge and continues to close the gap between the formal sector and the “unbankable” informal sector. In 2006, the international community continued to acclaim the industry by awarding the Grameen Bank and its founder Muhammad Yunus the Nobel Peace Prize (Yunus, 2007).

Whilst nearly half of the people in the world live in extreme poverty and survive on less than \$2.50 a day, 1.4 billion of these people live on less than \$1.25 a day (World Bank, 2009). In 2000, world leaders came together at the United Nations and vowed to work toward eradicating poverty by adopting the Millennium Development Goals. The developing world has made advancement on the goal of halving poverty and owes much of that success to microfinance (Christen *et al.*, 2004).

Furthermore, other researchers, such as Klein (2008), find that the positive effects of microfinance are best seen over longer periods of time. He argues that access for the poor advances the overall well-being of households and diminishes income inequality. Beck, Demirguc-Kunt and Levine (2005) concur with the beneficial effect of microfinance, finding that financial development leads to faster economic growth and thereby reducing poverty, specifically when measured at the \$1.25 and \$2 a day poverty headcount ratios. Research

undertaken by Beck *et al.* (2005) also demonstrates that increased financial development has an excessively larger positive effect on the poor than it does for other demographics.

Similarly, wider financial access is related to faster income growth for the poor, rapid lessening of the poverty gap, and quicker decreases in the poverty rate. Barr *et al.* (2007) highlight the social benefits to increased financial access for the poor, such as credit, savings, risk management and payment services, all of which contribute to lower poverty rates. Microfinance has further been highlighted as the solution to global poverty by optimists in the development field. Many regard the practice of extending greater financial access to the poor through small loans as a necessary and important tool in the development process (Aghion & Morduch, 2000).

Even the outspoken critic of the benefits of micro-finance Thomas Dichter (2006) acknowledges that microfinance can help the poor smooth consumption over periods of recurring downturns or unforeseen crises. He notes further that if this consumption smoothing means parents can send their children to school, or buy essential medications, and maintain nutritional in-takes of their children then microfinance is likely to have positive long-term impacts on productivity.

Other advantages are noted by Partha Dasgupta (1995:247) as follows: “At low levels of nutrition and health care, increase in current consumption improves future labour productivity: if nothing else, morbidity is reduced”. Scholars such as Pitt and Rozenweig (1985) provide additional information in this regard and observed from Indonesian data that an increase in the consumption of fish, fruit, or vegetables by 10 percent reduces the chances of illness there by 9, 3 and 6 percent respectively.

Microfinance, thus, fulfils an important safety-net task, especially in countries where there is no state-sponsored social security system. In hard times, the poor can first turn to family and neighbours. But in a situation of widespread poverty or economy-wide crisis, the poor will have to go to money lenders or to the employer/landlord for whom she or he works. If MFIs extend lending to the very poor in these circumstances then they can help rupture the power and hold of such creditors who operate in the inter-locking credit and factor markets (Mawa, 2008). Although high, the interest rates charged by the MFIs are lower than the rates charged by informal creditors (money lenders/employers/landlords).

Furthermore, microcredit allows people to signal their creditworthiness. If their achievement makes banks more willing to lend them larger sums and their initiative leads to even more economic activity, then that should help reduce poverty in the long run. Microfinance, thus, gives the unemployed and the poor some chance, expectation and confidence. Being employed (whether self-employed or by an employer), gives a person a significant boost to his/her sense of self-respect and self-assurance (Epstein & Smith, 2007).

Institutions of microfinance can be described as important agents of structural change in the economic development of the poor. In this regard, the provision of microfinance has the potential to unlock opportunities for credit to whole populations that had previously never had access to credit. Even though the microfinance industry was forefronted by NGOs, it primarily changed the economic state of affairs of the poor. The trickiest aspect to lowering extreme poverty is to escape the poverty trap and for many scholars the lack of access to formal banking institutions is part of the problem (Mayoux, 1999). Currently, the majority of the poor are excluded from the formal economy and forced to live in their own informal economic spheres. While large scale structural changes in infrastructure, government regulation and human capital can help the country as a whole develop, those benefits do not necessarily trickle down to those living on less than \$2 and \$1.25 a day. Microfinance has started the processes of incorporating the poor into the rest of the economy. Improved MFIs and downscaling commercial banks are finally beginning to bridge the gap between the formal and informal economies (Simanowitz *et al.*, 2000).

Thus, beyond the hype, microfinance is making some important positive contributions in addressing poverty. However, many of these effects cannot be measured in monetary terms, and hence will remain largely unappreciated in the literature that focuses on the conventional income or expenditure measures of poverty. The question, nevertheless, remains as to how long microfinance can keep on providing consumption-smoothing support or broaden the payments schedule (Khandker, 2005). To be able to serve as a feasible poverty reduction strategy, micro-credit financed enterprises must expand and create decent jobs for the growing labour force. Microfinance supports mainly informal activities that often have a low return and low market demand. If true, the impact on poverty of microfinance intervention observed at the participant level represents either income redistribution or short-run income generation (Klein, 2008).

The industry has developed and changed shape over the last two decades and lately has come under fire. Microfinance today includes for-profit lenders, usurious interest rates, loan sharks, and suicides. Many critics are starting to question the principles, practices and effectiveness of microfinance (Wright, 2000; Posner, 2006; Becker, 2006; Karlan & Zinman, 2007). They claim that microfinance cannot make more than a marginal impact on poverty, and more serious developmental efforts should address structural causes of underdevelopment. While many have overestimated the industry as revolutionary to development economics to the extent that it would bring about the end of extreme poverty, much of the euphoria has worn off (Khandker, 2005).

While it may be true that some families and borrowers are poorer as a result of MFI malpractices, microfinance continues to be a positive strength in the lives of many. The effects may certainly be smaller than the effects of large-scale structural economic changes, but they are nevertheless important in reducing poverty. Any number of criticisms can be made about the practices of some for-profit microfinance institutions, but that should not negate the ways poor people benefit from the industry on the whole (Sharma, 2001).

As microfinance continues to nurture and reach more of the world's poor, it will give them an opportunity to take charge of their own economic situation and work their way out of poverty. There is sufficient evidence to support the positive impact of microfinance on poverty reduction as it relates to fully six out of seven of the Millennium Goals (Littlefield *et al.*, 2003). In particular, there is vast evidence validating a beneficial effect on income smoothing and increases to income. Microfinance is a tool that, under the right conditions, fits the needs of an extensive range of the population, including the poorest - those in the bottom half of people living below the Poverty line. Empirical evidence suggests that the poorest can benefit from microfinance from both an economic and social well-being point-of-view, and that this can be done without endangering the financial sustainability of the MFI (Sharma, 2001).

The world's poor function most completely in the informal sector, which usually involves subsistence living and informal savings, trading, and credit. The fast growth of the microfinance industry over the last 40 years (more so during the last 10 years) has assisted in filling the financial void for the world's poor and eventually reducing world poverty (World Bank, 2009).

The current challenge is assessing the real impact of microfinance programmes on poverty alleviation. This issue relates closely to the philosophical mission of microfinance. According to Pronyk (2007) and the International Monetary Fund (IMF) (2000), MFIs have a dual mission: a social or welfarist mission-providing financial services to the destitute so that they survive and uplift themselves; and a commercial mission - providing financial services to the moderate poor in a profitable manner. Balancing the social and commercial missions constitute a great challenge to MFIs.

Being successful business ventures, microfinance institutions themselves have also fashioned a large number of good paying jobs. In the words of Roodman and Qureshi (2006:39): “We should not lose sight of the fact that commercially successful microfinance institutions are remarkable organizations, employing hundreds or thousands of people at tasks once thought impossible”. Good jobs created by successful MFIs should have considerable multiplier effects.

It is often alleged that in the end, the moderate poor are preferred as clients by MFIs over the poorest of the poor in order to evade high defaulters, insolvency and reliance on donor agencies. Thus, the poorest are often marginalised in favour of the moderate poor (Grameen Bank, 2000). Against this background, the challenge now faced by MFIs and microfinance is to ascertain, firstly, what exactly their impact is on the poorest livelihoods. This requires deeper social and developmental impact analysis and study. This study, hopefully, will contribute to these goals.

2.3 SAVINGS AND CREDIT ASSOCIATIONS

A Rotating Savings and Credit Association (ROSCA) is a group of individuals who agree to meet for a defined period in order to save and borrow together. ROSCAs are the poor man's bank, where money changes hands rapidly, satisfying both consumption and production needs (Besley *et al.*, 1993). ROSCAs are locally planned groups that meet at regular intervals. At each meeting, members donate funds and, in return, the member receives a lump-sum payment at a future date. Once every member has received funds, the ROSCA can close down or start another round. ROSCAs often pay no interest and members may have little or no control over when they receive the funds (Calomiris & Rajaraman, 1998). Members are in danger of not receiving funds, if other members do not fulfill their commitment and fail to contribute their share. Rotating savings and credit associations are amongst the oldest and

most general savings institutions found in the world and play a fundamental role in savings mobilization in many developing countries (Klonner, 2003).

One of the most astonishing characteristics of ROSCAs is that they are found worldwide and in countries with greatly different levels of economic development. Ardener (1964) and Ardener and Burman (1995) documented this pervasiveness in Asia, Latin America, the Caribbean, and Africa. ROSCA involvement is predominantly high in Africa. It is estimated that in 1986, 50% of the adult population in the Democratic Republic of the Congo belonged to a ROSCA, while members varied from 50 to 95% of the adult population in many rural areas in Liberia, Ivory Coast, Togo and Nigeria (Bouman, 1995). In 1992, membership in ROSCAs in Cameroon was estimated at 80% of the adult population (Bouman, 1995) and in numerous villages in Nigeria in 1987, adult membership was found to be 66 percent. A sample of 115 households in central Kenya showed that 45% were involved in a ROSCA (Kimuyu, 1999).

While ROSCAs are frequently found in countries where formal credit markets are thin or missing, they are also found in more developed areas where individuals have access to formal banking institutions. ROSCAs have been reported among workers of the IMF (Ardener 1995) and among bank workers in Bolivia (Adams & Canavesi, 1992) and Ghana (Bortei-Doku & Aryeteey, 1995). In a sample taken in urban Zimbabwe, 76% of urban market traders partake in a ROSCAs, although 77% of them have banking accounts (Chamlee-Wright, 2002). In 5 countries, such as Taiwan with its comparatively well-performing credit markets, as many as 80% of adults are estimated to belong to ROSCAs (Levenson & Besley, 1996). ROSCA-style banking methods also remain popular in modern Japan (Dekle & Hamada, 2000).

The literature on ROSCAs presents numerous underlying principles for their development. Besley, Coate and Loury (1993) propose that individuals join ROSCAs to finance the payment of indivisible durable goods, taking benefit of the gains from intertemporal transactions between individuals. All individuals except the last improve their wellbeing by joining a ROSCA, as each obtains the indivisible durable good quicker than by saving alone. Anderson and Baland (2002), utilizing data from ROSCAs in a low-income area in Nairobi, Kenya, argue that ROSCA participation is a tactic married women use to safeguard household savings against claims by husbands to use funds for immediate use. Individuals might also form ROSCAs in order to supply each other with insurance, such as in rural Kenya where formal markets for insurance are practically non-existent. When finances are circulated via an

auction mechanism, ROSCAs can serve as an insurance instrument because participants may be able to get their money when they need it.

Klonner (2003) shows how risk-averse participants in a bidding ROSCA can cover themselves against personal risks. Calomiris and Rajaraman (1998) show that in Indian ROSCAs with simultaneous bidding, the definite amount received by the winner is subject to differences through the bidding process in a way that is consistent with insurance. ROSCAs can provide a commitment mechanism that forces members to adhere to savings patterns, and sometimes to spending patterns, as well. The literature has repeatedly mentioned this feature (Ardener, 1964; Bouman, 1995; Chamlee-Wright, 2002) but little data has been collected on this aspect of ROSCAs.

Ambec and Treich (2003) present a theoretical model of ROSCAs that arguing that they are institutions of financial compliance that help individuals evade social strain for income sharing. The model of Anderson and Baland (2002) relies on the belief that married women can use ROSCAs as savings mechanisms if households are willing to buy indivisible goods upon receiving of the ROSA pot, even when households were not willing to save at all.

2.4 BRIEF OVERVIEW OF THE THREE SCAS IN THE CAPRIVI REGION

Savings and Credit Associations (SCA) are examples of Microfinance Institutions. MFIs are defined as organizations that offer small amounts of credit and other small-scale financial services to members who lack access to the formal banking system (Schicks, 2007). The three SCAs, namely, Namalubi, Masokotwani and Kasheshe, were introduced in the rural areas of Caprivi region by the NGO known as the Rural People's Institute for Social Empowerment (RISE Namibia) (Katswara, 2006). As pointed out earlier, RISE Namibia was started to address the needs of the rural poor whose financial needs are not met by financial institutions, including microfinancial services, that are located in urban areas, far from rural settlements with their often very poor infrastructure. Therefore, the three microfinance SCAs and their products were introduced in 1999 by RISE Namibia. These institutions were expected to have a significant impact on the vacuum in banking services, as well as on poverty alleviation in the rural areas of Caprivi region. This study evaluated the developmental impact of microfinance on poverty alleviation and women empowerment in the three microfinance SCAs in rural areas of Caprivi region. It assessed the impact of the existing microfinance

programs among the members of the three microfinance SCAs in the rural areas of the Caprivi region of Namibia, and explored whether microfinance programmes have helped their members to minimize financial vulnerability through diversification of income sources and accumulation of assets.

2.5 THEORETICAL FRAMEWORK

2.5.1 Sustainable Livelihoods Approach (SLA)

According to Farrington *et al.* (1999), the Sustainable Livelihoods Approach (SLA) is a diagnostic tool, amongst others, of rural development. Cahn (2002) defines the Sustainable Livelihoods Approach as a mode of thought that can function as an instrument for planning, interventions, reviewing and evaluating projects, policy analysis, and development. The approach is extremely people centred, and focuses on the enrichment of people's aptitudes to preserve their own livelihoods. The advantage of using a livelihood approach is that it focuses on people's own definition of poverty and takes into account a wide range of factors that cause or contribute to poverty. This approach has been acknowledged by several governments, NGOs and multi-lateral organisations, and was adopted by the University Department for International Development (DFID) in the late 1990s (Scoones, 1998).

This study utilizes the SLA as an analytical framework that supports a logical examination of the fundamental processes that cause poverty. The maximization of livelihood benefits requires an understanding of what people most need and want (their livelihood priorities) and the wide-ranging ways in which different options influence livelihood directly and indirectly. A fundamental part of Sustainable Livelihood Approach (SLA) is its focus on people's susceptibility and livelihood assets, how these connect to poverty, and how rural lending (microfinance) can play a role in increasing people's livelihood strategies (Farrington *et al.*, 1999). This approach therefore helps to expand the understanding of poor people's livelihood systems, their vulnerabilities, social segregation, and strategies for overcoming limitations.

SLA provides a chance to scrutinize the function that microfinance services can play in raising rural household incomes, and recovering poor people's livelihoods. The application of the sustainable livelihoods approach may possibly help micro financial institutions to better

understand the real needs and priorities of poor people who are considered unbankable.⁴ It can help bring a new viewpoint to the micro financial institutions and affords an opportunity to stand back and examine how the micro financial institutions are affecting the livelihoods of the poor, and to see how positive impacts can be improved. Through careful planning and design, based on the understanding of the local livelihoods of a particular poor people, SLA can greatly enhance the positive impact of micro financial initiative on the poor people and its impact on poverty reduction.

A livelihood approach generally helps in any situation where a defined poor people are considering engaging in micro financial activities as livelihood strategies. Such understanding is very important for MFIs to be able to design appropriate microfinance products and lending strategies for impoverished livelihoods and it is envisaged that these products and lending strategies should respond to poor people's definite needs and capacities, as defined by them. Furthermore, involvement in client appraisal through the use of the SLA promotes cost-effectiveness of lending activities as well as clientele reliability (Farrington *et al.*, 1999).

The two key components of the SLA, according to the Institute of Development Studies (2009), Carney (1998), Hussein (2002), and Farrington (1999) are:

- A *framework* that helps in understanding the complication of poverty; and
- Two core *principles* to guide action to address and overcome poverty.

The SLA framework places, people, predominantly rural poor people, at the midpoint of a web of interconnected influences that shape how these people build a livelihood for themselves and their households. Closest to the people at the core of the framework are the resources and livelihood assets that they can utilize or draw on. These comprise natural resources, technologies, their skills, knowledge and capacity, their health, access to education, sources of credit, or their networks of social support.

The degree of access people have to these assets is sturdily prejudiced by their vulnerability context, which considers trends (for example, economic, political, and technological), shocks (for example, epidemics, natural disasters, civil conflict) and seasonality (for example, fluctuations of prices and production, as well as employment prospective). Access is also

⁴ Unbankable refers to those people deemed not eligible to obtain financial services that can lead to income generation, repayment of loans, savings and building of assets (United Nations Secretariat, 2004).

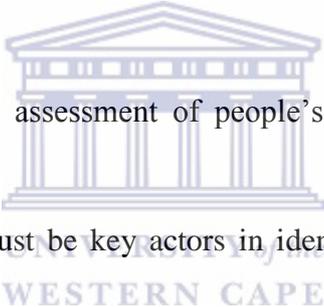
influenced by the contemporary social, institutional, power and political situation which affect poor people's livelihood strategies.

The SLA is utilized to discover the negative aspects and opportunities experienced by poor people, as articulated by them. It builds on these explanations, and then supports poor people as they tackle the constraints, or seize advantage of opportunities. The framework is neither a model that intends to amalgamate all the key fundamentals of people's livelihoods, or a collective resolution. Rather, it is a means of inspiring thought and analysis, and it needs to be modified and detailed pending on the situation.

The SLA is based on two core philosophies:

A focus on people

The approach, as mentioned, places people at the hub of development. When applied practically, it means:

- 
- SLA commences with the assessment of people's livelihoods and how these have altered over time;
 - poor people themselves must be key actors in identifying and addressing livelihood priorities;
 - a strong focus on the impact of policies and institutional arrangements on people's livelihoods; and,
 - SLA seeks to promote partnerships between poor people and with their organizations, as well as with the public and private sector (Carney, 1998; Cahn, 2002).

Holism

SLA identifies the livelihood-related opportunities and constraints, irrespective of where they occur:

- It is non-sectoral and valid to all social groups;
- It acknowledges multi-influences on people, and seeks to realize the associations between these influences;

- it acknowledges assorted actors, such as private sector, national ministries, community-based organizations and government bodies;
- it explores numerous livelihood strategies that people use to preserve their livelihoods;
- It seeks to accomplish various livelihood outcomes, to be accredited and negotiated by the participants themselves (Cahn, 2002; Carney, 1998).

Moreover, Farrington *et al.* (1999) confirms that SLA can be used at all stages in the preparation cycle of developmental programmes, and applied practically to projects, programmes and sectors. It can boost the design of interventions in various ways: through recognition of information essential for making well-versed decisions; identifying diverse livelihood safety-nets among poor people, emphasising the association between the local and policy levels, and improving cross-sectoral management. In this context, the SLA provides a widespread framework and reduces the likelihood of supremacy by one authority or segment. The SLA has the prospective to amplify a systematic search for poverty-focused solutions across all the sectors. In addition, Farrington *et al.* (1999) believes that SLA is basically an integrating tool, helping to form and bring together different views which contribute to a people-centred approach.

The SLA people-centred approach to development and the philosophy that local community people must be involved in their own development are used as the broad framework to inform the study and provide a theoretical background to the empirical research.

2.6 CONCLUSION

This chapter has provided a brief overview of microfinance, the literature review of ROSCAs, the three SCAs in the rural areas of the Caprivi region, and the framework and key principles of the Sustainable Livelihood Approach. The principles and framework are practically applied in the last chapter of this thesis. As the sustainable livelihoods approach facilitates the understanding of the main factors that affect poor people's livelihoods, this in turn will ease the planning and implementation of more effective development interventions. By putting more emphasis on people rather than the technical inputs of development, we may achieve sustainable impacts on poverty reduction.

CHAPTER 3

CASE STUDY AREAS, RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter provides a brief overview of the Caprivi region and outlines the research design and research methodology used in the study. It will provide a discussion of the research instruments, sources and procedures of data collection, target groups and associations from which data was collected. Data processing and methods of presentation and analysis will be documented and the limitations of the study, and ethical procedures that the researcher adhered to, will be presented.

3.2 OVERVIEW OF CAPRIVI REGION

The relative socio-economic situation in the Caprivi region compares poorly with other parts of the country. Infrastructure underdevelopment mostly in rural areas, aggravated by various natural hazards, has constrained rural development initiatives through reduced savings, access to financial services and employment opportunities. These in turn have impacted negatively on household incomes and the well-being of the rural people (James, 2009).

Similarly, it is crucial to relate poverty and trends in poverty to the major sources of income. The main sources of income in the rural areas of the Caprivi region are subsistence farming, pensions and small business income. Poverty was found to be excessive among these groups. It is suggested that the rural people in the Caprivi region could break out of the vicious circle of poverty through access to microfinance services that would help them become self-employed and generate income.

3.3 RESEARCH DESIGN

Babbie and Mouton (2001:104) define a research design as a “plan or structured framework of how the researcher intends conducting the research process in order to solve the research problem”. The authors are of the view that, when planning an empirical study, a researcher

needs to select a fitting research design(s) to be used as a guiding methodological tool in order to acquire valid results to the research question. Babbie and Mouton (2001) argue further that approaching a subject using mixed designs may have the following advantages:

- gaining an holistic, detailed perspective of the research problem by providing a more comprehensive view of the phenomena being studied;
- Not limiting the data being collected;
- complementing one set of results with another, expanding a set of results, or discovering something that would have been missed if only a quantitative or a qualitative approach had been used; and
- Ensuring the researcher of a high level of validity, reliability and trustworthiness of data.

3.3.1 The Case-study approach

A case study is an intensive investigation of a single unit. It is used when a researcher is interested in a delineated entity, for example, a specific household, family, an institution or organization. Case-study research enables the researcher to collect in-depth information using a multiplicity of data-collection tools and techniques over a continuous time phase (Babbie & Mouton, 2001). Furthermore, the case-study approach offers the following benefits to the researcher: the units will be studied in their natural surroundings; the “how” and “why” questions can be asked by the researcher to comprehend the nature and intricacy of the processes taking place; and where research has been conducted before or no research done at all (Leedy, 1977).

The present study examined the three case studies, the Masokotwani, Namalubi and Kasheshe SCAs, that are located in the rural areas of the Caprivi region. The three SCAs were selected for the study because they are poverty-stricken areas due to their reliance on substance farming. The study assessed the progress in terms of the level to which SCAs in rural areas of the Caprivi region are reaching their objective of providing financial services to rural people, especially to the members of the three SCAs.

The case study areas were selected due to the relatively close physical location of the three SCAs from the main town of Katima Mulilo. The proximity was convenient for data

collection because of the short distances the researcher needed to travel to reach the research population. As a self-sponsored research project, the short distances allowed the researcher to gather data within the limited budget available. The common language of the researcher and research population was also an advantage. (See Figure 1)

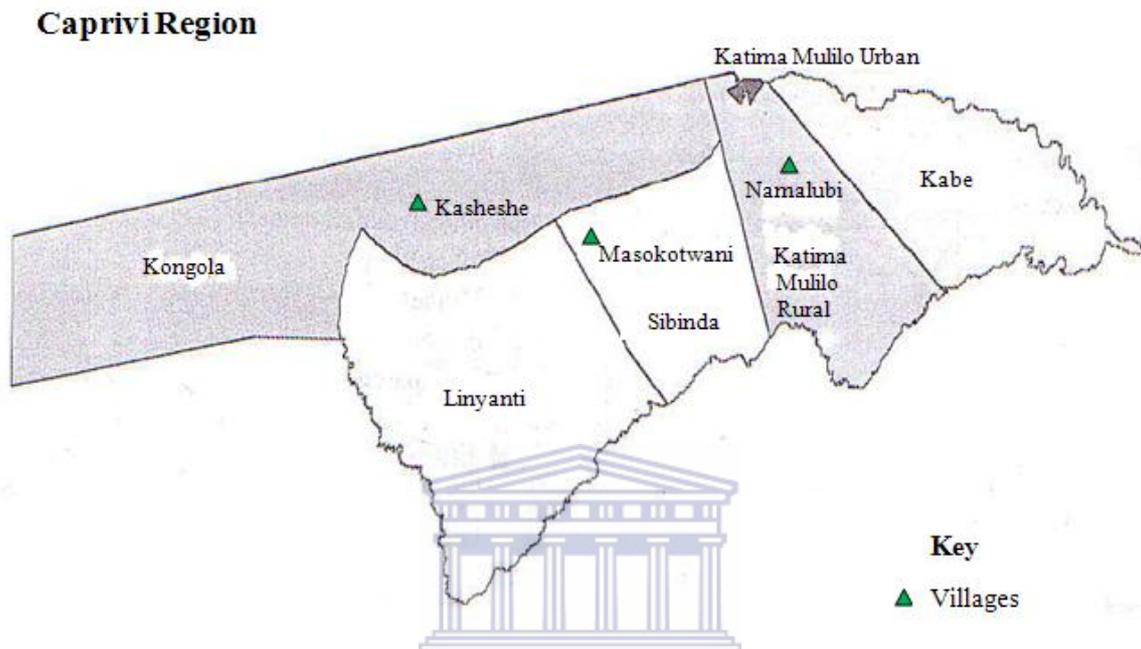


Figure 1: Map showing research sites visited: Kasheshe, Namalubi and Masokotwani villages

Distances from research base to research sites:

Katima Mulilo to Namalubi = 10 km

Katima Mulilo to Masokotwani = 54 km

Katima Mulilo to Kasheshe = 20 km

3.3.2 Research methodology

Research Methodology refers to the “methods, techniques, and procedures that are employed in the process of implementing the research design or research plan” (Babbie & Mouton, 2001:104). Thus, it centers on the research process itself and the kind of tools used and procedures followed. This research utilized both the quantitative and qualitative designs in order to gather inclusive information on the impact of micro financial institutions on poor communities in small rural areas in the Caprivi region of Namibia. The data were collected in the months of June, July and August of 2009.

3.3.2.1 Quantitative approach

Leedy (1997:106) states that “Quantitative researchers seek explanations and predictions that can be generalized to other persons and places. The intent is to establish, confirm, or validate relationships, and to develop *generalizations* that contribute to theory”. The quantitative approach entails collecting primary data of a big population (Leedy, 1977) and was used by the researcher to obtain explanations and predictions that can be generalized to the entire research population or area. The goal was to ascertain or authenticate the effectiveness of microfinance savings and credit associations in poverty alleviation in the rural areas of the Caprivi region, and to develop generalizations that are valid for the research population. The major quantitative tools used in this study incorporated a structured questionnaire and a sampling approach.

(i) Research population

The research population comprises all the people who are being studied and from whom data must be collected to serve the research objectives. The research population in this study included the members of the three SCAs, an employee of Rise Namibia, representatives from the Ministry for Youth, National Service, Sports and Culture, the Chairperson of the Regional Steering Committee, the Treasurer of the Regional Steering Committee, and the Secretary of the Regional Steering Committee. These participants served as the units or subjects of investigation from whom data was collected.

(ii) Structured questionnaire

The structured questionnaire as a research tool was used as a method of collecting data from individual members of the SCAs by asking questions or asking them to agree and disagree with statements representing different points of view. The questionnaire was used to generate the quantitative data presented in Chapter 5 and was administered to 80 respondents. The questionnaire focussed on:

- gathering data relating to the demographic, social and economic characteristics of respondents;
- establishing whether microfinance is an initiative that represents a sustainable poverty-reduction strategy;

- to what extent microfinance is contributing towards reducing poverty amongst members of the three SCAs in the rural communities of the Caprivi region; and
- gathering information regarding the members' expectations and perceived performance of their respective SCAs in terms of the provision of financial services.

The researcher administered the questionnaires using face-to-face interviews. The face-to-face interview was the appropriate option, as the target population had limited or no education, which made mailing questionnaires to them an impracticable methods of data collection. In addition, the rural and under-developed nature of the area, with its lack of telephone and cyber communication, ruled out telephones interviews. The close proximity of the researcher to the interviewee or respondent allowed for close observation of physical reactions in response to different types of questions and the researcher was afforded the opportunity to ask a variety of questions, and to probe certain answers for the purpose of clarification.

(iii) Sampling size and procedure

No sampling was carried out due to the small research population which consisted of 93 in total from the three SCAs, that is, Masokotwani - 44, Kasheshe - 29 and Namalubi - 20. All of the associations' members were interviewed. This ensured the avoidance of sampling bias, enabled absolute representation of the research population, and enhanced the reliability and validity of the research process and data.

3.3.2.2 Qualitative approach

According to Creswell (1994:2), qualitative study is defined as “an inquiry process of understanding a social or human problem, based on building a complex holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting”. The qualitative data collection method enabled the researcher to spend time with respondents in the case study area to develop a deeper, more textured and holistic impression and understanding of the social action, behaviour and attitudes of the respondents –which added to the ability to get closer to what Weber refers to as *Verstehen* (Frank, 1996).

(i) In-depth individual interviews

In-depth interviewing is a data collection technique that is popular with qualitative researchers. The qualitative data collection method was chosen for this study because, as

Neuman (2000:71) suggests, they “provide an array of interpretative techniques which seek to describe, decode, translate, and finally, easily draw meaning out of data rather than frequencies”. In-depth individual interviews afforded the researcher the benefit of accessing unavailable and sensitive information that would otherwise be difficult to retrieve. Also, the researcher managed to gain a wide range of opinions and experiences of participants using this data collection method. Individual interviews were conducted with 3 committee members of the three microfinance SCAs, 8 members of the Regional Steering Committee, 1 Employee of Rise Namibia and 1 representative each from the Ministry for Youth, National Service, Sports and Culture.

3.4 THE LITERATURE REVIEW AND SECONDARY SOURCES

The literature review helped to provide the relevant theoretical works, the logical background to the study, and a broader view of the relevant research questions and issues confronting the researcher. The literature review section included a systematic framework for the study. The researcher also consulted other available publications such as newspapers, minutes of meetings, records, action plans of SCAs, journals, academic publications and periodicals on microfinance and poverty alleviation in the rural areas of the Caprivi region. These sources assisted the researcher to comprehend the nature and functioning of MFIs, as well as the effectiveness of microfinance in poverty alleviation.

3.5 DATA ANALYSIS, INTERPRETATION AND PRESENTATION

The data collated from both secondary and primary sources were analysed, interpreted and presented, using a mixture of quantitative and qualitative approaches. Quantitative data, sourced from the questionnaires, were statistically analysed, using the Statistical Package for Social Sciences (SPSS).⁵ After the data were coded in Microsoft Excel, it was imported into SPSS for further analysis. Basic descriptive statistics, such as averages and frequencies, were calculated. Data were summarised in the form of graphs and tables. Some of the open-ended questionnaire items had to be post-coded according to certain thematic themes that emerged in the different response sets. Qualitative data were analysed using thematic content analysis. Data were coded, themes were developed from the data, and followed by the development of

⁵ SPSS (Statistical Package for the Social Sciences) is a computer application that provides statistical analysis of data. It allows for in-depth data access and preparation, compiles appropriate tables and graphs, performs tests of statistical significance and develops models (Babbie & Mouton, 2001).

the schema from the data and the writing up of the analysis. This process ensured uniformity and logic in presenting the analysis of the research results.

3.6 LIMITATIONS OF THE STUDY

The study focussed on the three SCAs operating in the rural areas of the Caprivi region and it must be conceded that the findings are not necessarily an indication of the circumstances in other SCAs, although it is possible that other SCAs may share some characteristics.

The foremost limitation of this research was the lack of well-documented information concerning SCAs operating in the rural areas of the Caprivi region. In all locations where the research was conducted, the number of members of the three SCAs did not correspond with the records kept at the RISE Namibia regional office. Proper records were not kept by both the SCAs and RISE Namibia employees. The researcher had to compile the actual lists of members, while in the field, with the help of the committee members. As a result, some of the members of the three SCAs were excluded from the list, and some of the SCAs, such as Namalubi SCA, had unclear or incomplete lists. Poor record-keeping made the generation of the results more difficult, laborious and time consuming than expected.

Another limitation experienced during the fieldwork was the unavailability of meeting minutes and proper records, as the junior employee of RISE Namibia had no office to operate from after the Regional Co-ordinator of RISE Namibia, Caprivi region had resigned. This situation resulted in the researcher having access to less valuable information concerning the operations of the SCAs. An additional problem was the poor communication between the regional office of RISE Namibia and members of the SCAs. Some members were not clear as to which organization they belonged, as a few other organizations were operating in their areas. As a result, some errors were to be expected, such as to the total number of members to be interviewed.

The fieldwork process was expensive and time consuming, mainly because some members were not readily available, while others did not adhere to the appointments made. In some instances, an interviewee had to be visited two or three times as he or she was not readily available. This caused much frustration and further depleted the meagre funds the researcher had available to conduct the fieldwork.

Regardless of the above limitations, the researcher is optimistic that the overall findings will present important data regarding the nature and scope of the rural poor people participating in microfinance programmes in the three SCAs. In addition, the research findings will be an important source of data for non-governmental organizations, government, policy-makers and individuals who have an interest in promoting microfinance programmes in the rural areas of the Caprivi region.

3.7 ETHICAL STATEMENT

The empirical research was conducted after the endorsement of the proposal by the Institute for Social Development, Faculty of Arts, and the Senate of the University of the Western Cape, and carried out in observance of the ethical research standards and legal requirements of the University. Written permission was obtained from the Regional Steering Committee to conduct interviews with the research respondents, acknowledged in the primary data sources, prior to meeting them. It was the researcher's duty to adhere to the ethics governing the research process. The overall responsibility of the researcher was to:

- explain and clarify to the respondents the objectives of the research in general, and the interview in particular;
- observe strict confidentiality as regards the identities and interests of the respondents by safe keeping and early destruction of the measuring instruments used;
- avoid causing personal harm to respondents participating in the research activities;
- Not accept any favours, or other means of assistance that would violate the ethical principles; and
- not using any form of coercion against respondents, as their participation should be voluntary (Babbie & Mouton, 2001; Bernard, 2000).

Lastly, the researcher appreciates the willingness of the participants to take part in the research process.

3.8 CONCLUSION

This chapter provided an overview of the research design and the methodology used to gather data for this research project. The research design used a diverse approach, namely, a mix of

quantitative and qualitative methodologies. The application of these methodologies provided the research with a range of tools and methods to investigate the topic and to create comprehensive data to present the objectives of the study.

Chapter 5 presents and discusses the research findings. The three case study areas, namely Masokotwani, Namalubi and Kasheshe, which represent the location of the three Savings and Credit Associations, will be presented and their background information with regard to physical locations and socio-economic characteristics discussed.

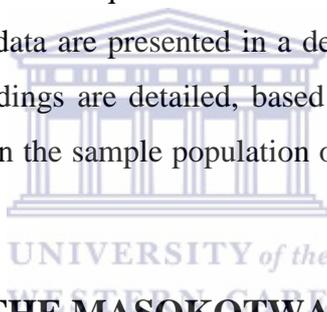


CHAPTER 4

ANALYSIS AND DISCUSSION OF RESEARCH DATA AND FINDINGS

4.1 INTRODUCTION

This chapter presents and discusses the empirical research findings. The three case study areas, namely Masokotwani, Namalubi and Kasheshe, which represents the location of the three Savings and Credit Associations (SCAs), will be presented and their background information with regard to physical location and socio-economic characteristics discussed. The presentation of data is ordered according to selected themes and presented in both quantitative and qualitative formats. The quantitative data are presented in the form of tables and bar charts, while qualitative data are presented in a descriptive and textual manner. The outcome of study results and findings are detailed, based on descriptive data analysis. The results of the analysis are based on the sample population of 93 respondents who participated in the study.



4.2 BACKGROUND OF THE MASOKOTWANI VILLAGE⁶

The Masokotwani village is located in rural Caprivi. It is situated about 54 km along the Katima-Linyati main road, south of the town of Katima Mulilo. The Masokotwani SCA operates in this village.

4.2.1 Population

The Masokotwani village has an estimated population of around 1000 people. The inhabitants are mostly Mafwe people and the major spoken language is Sifwe. Cultural traditions form an essential part of their beliefs and day-by-day social practices. The village falls under the chieftainship of Chief George Simasiku, the traditional leader of the Mafwe tribe. The chief is acknowledged by the Government of the Republic of Namibia as the foremost district officer of the Mafwe community.

⁶ Due to lack of official documents on the villages, references could not be presented. All the information in chapter was gained through interviewing members of the Associations.

The village is traditionally managed by two indunas,⁷ a junior and senior induna. The indunas are responsible for maintaining peace, and leading, solving and making community decisions in consultation with the chief.

4.2.2 Economic Activities

There is little or no economic activity taking place in this community where poverty is evident. Unemployment in the village is estimated by the researcher to be above a staggering 90%. A few professionals are employed in the village, as teachers, a nurse and an agricultural extension officer, as well as non-professionals, such as manual labourers and self-employed people who own small businesses. There is also small-scale livestock farming with poultry and cattle. Subsistence farming is practised by the community for their daily needs. As a result of the limited opportunities, inhabitants, especially young adults, are constantly migrating to the surrounding towns, such as Windhoek, to look for employment.

4.2.3 Infrastructure

There is no road running through the village, only the main road to the town of Katima Mulilo adjacent to it. The village was electrified under the Government programme of Rural Electrification, and power is supplied by Northern Electricity Distribution Services in Northern Namibia (NORED). Electricity is provided on a prepaid basis. Underground water is available through boreholes and water pumps. Although there are Telecom landlines available on application, cell phones are more commonly used by the community. As there is no post office serving the village, people have to travel the 54 miles to Katima Mulilo for postal services.

4.2.4 Educational Facilities

The Masokotwani Combined School is the only school in the village. The combined school caters for pupils attending grades 1 to 10. Whereas the school is easily accessible, extreme poverty observed in the area means that several families cannot afford to pay school fees or buy uniforms and books for their children.

⁷ Indunas means village headmen.

4.2.5 Health Facilities

There is only one clinic in Masokotwani, which is under-resourced in terms of equipment. The clinic is run by a professional nurse, who takes care of patients and issues basic medicines. The clinic does not have any overnight accommodation for patients, neither does it offer an ambulance service. In the event of an emergency, the patient has to be taken to the hospital in Katima Mulilo which is 54 km away.

4.2.6 Financial Institutions

Besides the Masokotwani microfinance Savings and Credit Association, established to cater for the financial needs and services of poor rural people, there were no other financial facilities available in the community during the time of the research. Formal financial facilities are only found in Katima Mulilo.

4.3 CASE STUDY OF THE MASOKOTWANI SAVINGS AND CREDIT ASSOCIATION



4.3.1 Background of the Savings and Credit Association

The Masokotwani Association started its operations in 2006 with the help of the Rural People's Institute for Social Empowerment (RISE Namibia) and with assistance from the local community. It was established in response to the material poverty that is prevalent in the area and for the members to cover their basic needs. The Masokotwani Association aims for economic empowerment of its members in terms of improved living standards and enhanced basic household welfare, such as food security, nutrition, shelter, sanitation, and health and educational services.

4.3.2 Education of Members

Figure 1 presents the data relating to the educational levels of members and indicates that the majority of the Masokotwani SCA members are educated. Only 8% of the total members are illiterate. Sixty five percent have completed secondary education, 23% primary education, and 4% had college or technicon diplomas. The majority of members were women.

This relatively high level of education attained by members is somewhat surprising: firstly, because of the rural setting of the study and, secondly, in many African cultures the education of women is not valued as strongly as that of their male counterparts (Taylor & Conradie, 1997).

The solid level of education of members should benefit the Association. Educated members often bring creativity and entrepreneurship, as well as productivity, to the local economy. This could fortify the Association and propel it towards its intended goals. A relatively small number of uneducated members are not a serious obstacle to the advancement of the Association, as educated members outnumber the uneducated ones. The latter group can but benefit from working closely or coming into regular contact with the more skilled and educated members of the Association.

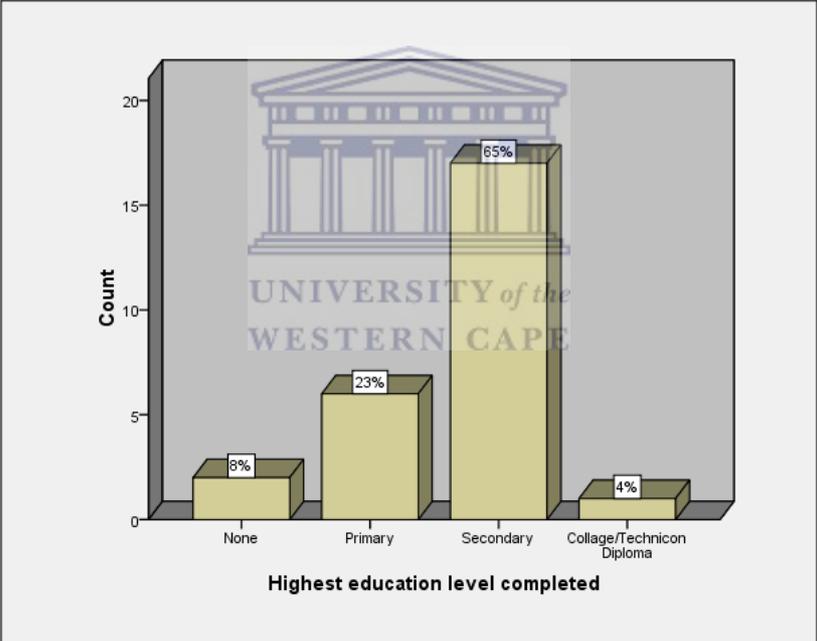


Figure 2: Level of education

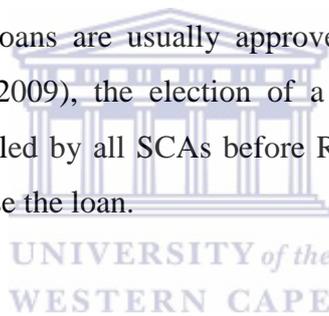
4.3.3 Management

The activities of the Masokotwani SCA are managed by the Regional Steering Committee on a regional level. The Regional Steering Committee comprises seven members, that is, the chairperson, treasurer, secretary, three additional members and a committee member from the Masokotwani SCA. The additional members are the representatives from the Ministry for Youth, National Service, Sport and Culture, and RISE Namibia.

The roles of the Regional Steering Committee are to appraise and approve loan requests by SCAs, mobilize resources, channel funds to the SCAs, monitor and evaluate the activities of the SCAs, network with funding partners (RISE Namibia), prepare and submit reports to relevant authorities and funding partners, and promote of programme goals and objectives of the SCAs. The Masokotwani SCA operates at a village level, and it has adopted the Village Banking Microfinance Model.⁸ The SCA committee is made up of three members, that is, a male chairperson, and two women filling the roles of secretary and treasurer.

4.3.4 Funding

During the time of the research, the Association had no external funding. The members of the Association only received the initial start-up capital from the sponsoring and project implementing organisation known as RISE Namibia. RISE Namibia lends the money to the Association, the Association re-lends the money to its members solely for business purposes or as start-up venture capital. Loans are usually approved for a short-term period of six months. According to Masiye (2009), the election of a committee is the first important requirement which must be fulfilled by all SCAs before RISE Namibia, the sponsoring and implementing agency, can disburse the loan.



4.3.5 Membership

The membership was analysed and based on gender, age group and marital status. The Masokotwani SCA had 44 members during the time of the research, 27 women and 17 men. The dominance of women is advantageous to the Association in terms of securing more external funding because research shows that, globally, women are the preferred borrowers by most microfinance institutions (Khawari, 2004). They are regarded as more reliable borrowers, who tend to spend their loans more sensibly and productively than men (Grameen Bank, 2000). Scholars, such as Yunus (2007), are of the view that this has enhanced their empowerment in such areas as self-confidence, physical mobility, economic security and public participation. Also, generally, they have becoming more conscious of their rights.

The age distribution of the members of Masokotwani SCA by broad age group is presented in Figure 2. There are considerable differences in the age composition of members. The portion

⁸ Village Banking Model means the members run the bank, select their committee members, create their own laws, organize their own affairs, collect payments, supply services and issue loans to fellow members (Grameen Bank, 2000).

of the active young members, those under 20 years, 21-30 age groups, 31-40 age groups and 41-49 age groups, is 12%, 38%, 27% and 19% respectively. Only 4% of members were 50 years and older. This is to be viewed against the background of an extremely low life expectancy which is pitched at 43 years of age for females and 41 years of age for males (Population and Housing Census, 2011). The Association has relatively more young and middle aged members, that is, members in the economically active age group, than older members. This is to the advantage of the Association as young members are usually more energetic, more ambitious, and subsequently work harder in order to succeed.

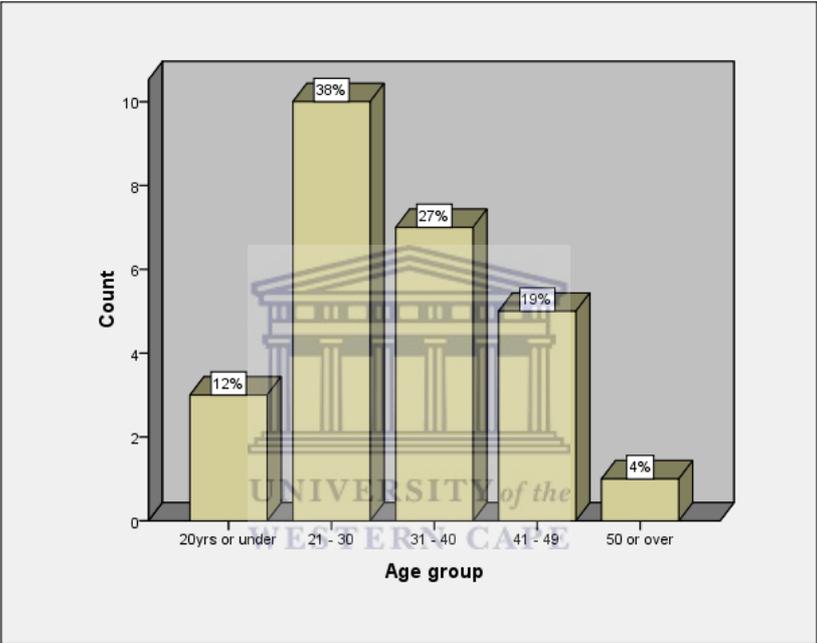


Figure 3: Age groups of members

Figure 3 presents the distribution of the Masokotwani SCA members by marital status. It can be observed that 42% of members had never been married at the time of the research. Over 46% of the total number of members was married. These members are thus part of a domestic environment that acts, to a lesser or greater degree, as a system of support. However, the dominant patriarchal system in the rural areas of Namibia also means that women often lack power and subsequently are misused and even abused. There are relatively few divorced or widowed members, with only 4% of the members of the Association indicating that they were divorced and 8% widowed.

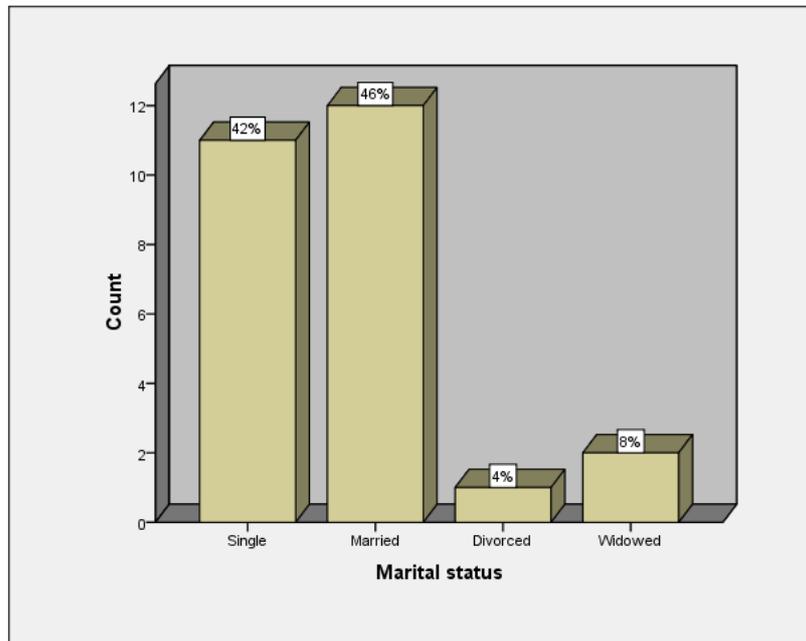


Figure 4: Marital status of members

4.3.6 Microcredit Services

The Masokotwani SCA offers credit services to its members as start-up capital. The sponsoring NGO, RISE Namibia, implemented a universal loan disbursement procedure to be adhered to by all benefiting microfinance Savings and Credit Associations operating in the Caprivi region. RISE Namibia lent loan capital to the Masokotwani SCA, which then loaned the capital to its members. The loan awards were based on moral collateral.⁹ The first loan of between N\$500,00 and N\$700,00 needs to be settled within a six-month period in order for the member to qualify for the second loan which could be more than the first loan.

It can be observed from Table 1 that during the time of the research, the Association had an impressive and encouraging financial record. The financial and progress report of 2008/2009 of the Association suggests that the Association was not experiencing any serious financial difficulties. The report indicated that the Association had shares and membership fees of N\$2,640,00, savings of N\$1,750,00 and the total amount paid by members into the Association's savings account was N\$4,390,00. The total loan amount of N\$12,100,00 was paid out to members, and the total amount to be paid back on the loan at 15% interest was N\$13,915,00. The members managed to pay back a total amount of N\$5,280,00 of the loan amount, with an outstanding balance of N\$8,635,00 in default or still to be paid.

⁹ Moral Collateral: assurance that the group stands behind each loan (Grameen Bank, 2000).

Members who defaulted were not liable to pay back the loan but were excluded from the activities of the Association and ceased to be members. The main goal of the Association is documented in its social mission.¹⁰ The Association tries to accomplish its social mission by providing financial services to more members, thus reducing rural poverty and augmenting the economic empowerment of members. Table 1 summarizes the Masokotwani savings and credit association’s financial and progress report of 2008/2009.

Table 1: Financial Report of 2008/2009 of Masokotwani SCAs

Name of the SCA	Number of members	Shares and membership fees	Savings	Total amount paid	Total Loan amount	Total Amount to be paid back	Amount paid	Balance
Masokotwani	44	N\$2,640,00	N\$1,750,00	N\$4,390,00	N\$12,100,00	N\$13,915,00	N\$5,280,00	N\$8,635,00

Source: RISE Namibia, 2009

4.3.7 Micro Financial Saving Services

The Masokotwani SCA provides its members with a savings service. The Association does not pay interest on member’s savings, but gets a share of profits from the Association’s re-lending activities. A compulsory share capital of N\$50,00 is paid by each member as share capital. A member gets her or his share capital back on resignation. Share capital is to be returned without interest. This serves as a motivation for members to be committed to the SCA. It is also compulsory to save, but a minimum saving is not prescribed.

A member is required to have at least N\$125.00 as savings, if she/he wants to secure a loan. This enhances accountability from members. A member who does not have a loan can withdraw his/her saving for private use. Share capital and savings are used for re-lending purposes to members. Only members with share capital and savings are at liberty to receive loans from the SCA. Members’ savings are attached to loan amounts, meaning the higher the savings, the higher the loan amount and vice versa. Savings are used to administer activities of the Association, such as financing new loans or individual income-generating activities. Members are bound to repay twenty-five percent of the loan amounts per cycle into the Association’s account to ensure the financial sustainability of the SCA.

¹⁰ Social mission: Offering monetary services to large numbers of low-income members to advance their wellbeing. This is a great challenge to most MFIs, as microfinance is a compromise between social mission and commercial mission, providing financial services in a financially viable manner. Most MFIs put more emphasis on financial and institutional performance, compromising chances for maximizing poverty impact and depth of outreach. MFIs should balance social and commercial objectives in order to target more poor people in need of microfinance (Wrenn, 2005).

4.3.8 Networking and Financial Literacy Training

The Association has a banking connection with the Caprivi branch of First National Bank situated in the town of Katima Mulilo. It has a sole savings account with the bank. The profits from members are deposited into this account and withdrawn for re-lending purposes. Furthermore, the members train each other on different aspects of village banking management. Members of the Masokotwani SCA have started a range of small businesses to generate income, decrease unemployment and persuade entrepreneurs in their local communities to provide jobs. The members are also involved in promoting the initiative of village banking by visiting other local communities and educating them about the returns gained from having a community driven financial service centre.

Types of small businesses operating in Masokotwani include the following:

- cuca shops (unregistered small shops especially in rural areas);
- selling fresh water fish to local communities and at Katima Mulilo open market to the public;
- subsistence farming;
- selling live cattle and meat to the Meatco Company and to local communities;
- selling cell phone airtime to local inhabitants; and
- firewood businesses, barber shops, hair salons and small restaurants.

The profits earned by each enterprise are saved and securely kept in the Association's account. Each enterprise has an individual account with its own name.

4.4 PRESENTATION AND ANALYSIS OF RESULTS

Traditionally, in the poorer communities of Namibia, and, specifically, in the remote rural areas of the Caprivi region, friends and family members depend on one another for credit. This informal money-lender approach is based on reciprocal trust between the lender and the borrower. This type of microfinance has been in existence for ages, both in the rural and urban areas. The drawback of this type of microfinance is its financial unsustainability and negative impact on poverty alleviation. It has led many poor people to escalate into debt traps, mainly because of the utilization of high-interest loans for smoothing over consumption.

These loans are normally provided for coping with unexpected expenses, like paying medical and funerals costs, and other consumption needs and not for productive purposes, like start-up capital for new business. This results in perpetuating a vicious poverty cycle (Masiye, 2009).

The Masokotwani SCA was created to remedy the situation. The Association focuses primarily on providing credit to its members as start-up capital. Members are actively encouraged to use venture capital. Thus, nowadays nearly every member owns various small businesses as part of their strategy towards a quest to establish a measure of livelihood security through the diversification of sources of income.

The Association has improved employment opportunities by creating ten jobs in the agricultural production and trading sectors. Such progress has led to improvement in the quality of life, amplified self-confidence, helped to diversify members' livelihood security strategies, and thereby enhanced the income of members.

Table 2: Level of Satisfaction of Respondents with Quality of Credit Services

Responses	Number of members	%
Very satisfied	5	19.2
Satisfied	9	34.6
Mixed feelings	7	26.9
Unsatisfied	4	15.4
Very unsatisfied	1	3.8
Total	26	100.0

Table 2, illustrates the level of satisfaction with the quality of credit services as recorded by respondents. More than 50% of members indicated that they are satisfied with the credit services rendered by the Association, while 27% had mixed feelings. It is encouraging that a relatively low percentage (15, 4%) of members is unsatisfied and only 3.8% revealed that they were very unsatisfied with the quality of financial services offered by the Masokotwani savings and credit association. The majority of members were successful in accessing the services or products and managed to start small businesses which are most probably the reason for the high level of satisfaction of members. This acquisition of start-up capital enabled most members to engage in income-generating activities, adding to their livelihood

stability. Similarly, the activities of the Association have led to an improvement in the quality of life of more than 50% of members.

During interviews, the majority of members indicated that they have attained a moderate improvement in nutritional status, in basic levels of education and medical care, and increased networking, due to accessing quality microfinance services. The members of the Association have also recorded considerable increases in ownership of livelihood assets, such as livestock (3 to 4 cattle), farming equipment (axes, hoes), poultry and land. Access to quality financial services afforded several members protection against having to sell their assets during emergencies and shocks.

The research dealt specifically with the potential impact of the Masokotwani SCA on the position and empowerment of women members in their community. The findings suggest that the SCA has aided their positioning in the local economy through business skills training. On the sociological level, the activities of the SCA have encouraged an awareness-raising process. Members have become more critical of existing norms, cultural practices and values that discriminate against women and that had disempowered them both economically and socially in the past. Ultimately, the SCA has become an important force in assisting women to gain better control over their lives.

The Masokotwani SCA has empowered women to become more confident, more firm and more competitive to take part in household and community decision-making. These developments have impacted and reversed deep-rooted culturally sanctioned gender biases still so prevalent in these rural areas, and have altered the social exclusion of these women. They now have new opportunities to gather in solidarity to share information, ideas and develop bonds that were not possible in the past.

Table 3: Improvement in women's livelihood after becoming members of Masokotwani SCA

Responses from members	Number of members responded	Percentage (%) of members responded
Yes	23	88.5
No	0	0
Unsure	3	11.5
Total	26	100

Table 3 presents findings relating to changes in livelihoods of women. Responses indicate that 88.5% of participants agreed that women's livelihoods improved for the better since the introduction of the SCA in the Masokotwani community. Participants noted that their livelihoods improved with regard to decision making, both at household and community level, freedom of movement, working outside the home, owning business and joining any organization of their choice. These results point to the important role of the SCA in improving the livelihoods of women in Masokotwani and in increasing their self-confidence and independence.

4.5 THE BACKGROUND OF THE KASHESHE VILLAGE

The Kasheshe Village is located approximately 20 km west of Katima Mulilo along the Kongola-Katima Mulilo highway. The village is found in the Kongola constituency of the Caprivi Region.

4.5.1 Population

The Kasheshe village has an estimated population of about 1000 people. The residents are Mafwe people and the common spoken language is Sifwe. Cultural traditions are still observed by the residents, forming part of their daily lives. The village falls under the jurisdiction of Chief George Simasiku, the traditional leader of the Mafwe tribe. The village is traditionally managed by two indunas, one junior and one senior induna. The indunas are responsible for the affairs of the village, such as maintaining peace, playing a leadership function, solving conflict and problems, and making community decisions in consultation with the chief.

4.5.2 Economic Activities

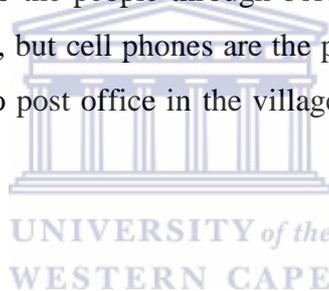
As was the case with the previous village, persistent poverty and unemployment in the Kasheshe village are the main problems faced by the villagers. Unemployment is endemic, and estimated to be above 80%. The only employment opportunities in the village are those open to professionals, such as teachers, a nurse and an agricultural extension officer, as well as non-professionals, such as manual labourers and self-employed people who own small businesses. As in Masokotwani, the main sources of food and income of the population of

Kasheshe village are small-scale livestock farming, with poultry and cattle, and subsistence farming.

Due to a number of push factors, such as unemployment, lack of recreational facilities, lack of good educational facilities, inadequate health services and, importantly, an absence of commercial banking services, the economically active age group of the population tend to migrate to urban areas in search of employment.

4.5.3 Infrastructure

The infrastructure is very poor in Kasheshe. There is only a main road that runs adjacent to the village. Like the Masokotwani village, the Kasheshe village was electrified under the Government programme of Rural Electrification, with electricity supplied by Northern Electricity Distribution Services in Northern Namibia (NORED) on a prepaid basis. Underground water is provided to the people through boreholes and water pumps. Telecom landlines are available on request, but cell phones are the preferred means of communication by the community. As there is no post office in the village, people have to travel to Katima Mulilo to access postal services.



4.5.4 Educational Facilities

The only educational institution at the village is the Kasheshe Combined School. The school caters for pupils from grade one to ten. Due to the extreme poverty, most parents cannot afford to pay the school fees or buy uniforms and books for their children.

4.5.5 Health Facilities

There is only one clinic in Kasheshe village, which is not fully equipped. The clinic is managed by a professional nurse. The clinic does not admit patients or provides any ambulance service. Any emergency cases have to be referred to the Regional Katima Mulilo Hospital.

4.5.6 Financial Institutions

The Kasheshe microfinance Savings and Credit Association was the only financial institution available at the village during the time of the research. All formal financial institutions are

found in Katima Mulilo. The Kasheshe SCA was formed to meet the financial needs of the poor population of Kasheshe village.

4.6 THE CASE STUDY OF THE KASHESHE MICROFINANCE SAVINGS AND CREDIT ASSOCIATION

4.6.1 Background of the Case Study

The Kasheshe Microfinance Savings and Credit Association is located approximately 20 km west of Katima Mulilo, along Kongola-Katima Mulilo highway. The Kasheshe SCA started in 2006 and has been functioning since then, offering two financial products, savings and credit services, to its members. This organization works at a village level, applying the Village Banking Microfinance Model.

4.6.2 Education of Members

Figure 6 illustrates the educational levels of members of the Kasheshe SCA. Members who had never completed any educational level made up 22% of the total interviewed, whereas members with a primary and secondary educational level constitute 19% and 59% respectively. None of the members interviewed had a college or technicon diploma. Members who had completed a secondary education constituted the majority of the Association. This is a positive finding as it suggests that a sizeable percentage of the members had good numeric and literacy skills.

While other members did not advance beyond the primary level, only 22% of members indicated they were illiterate, having had no formal schooling. This is an important finding, as it suggests that the Association will need to align their systems to the members' qualifications, particularly with regard to members with no formal schooling and those with only a primary educational qualification.

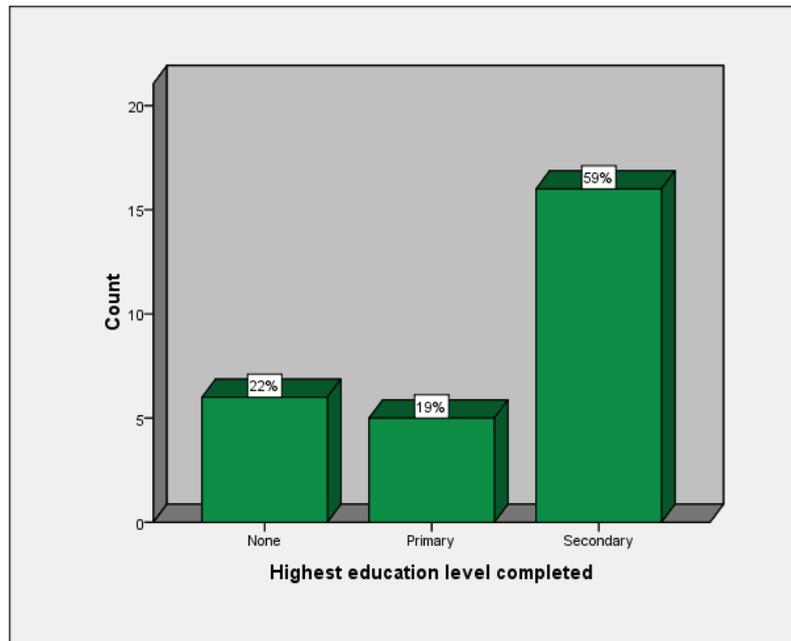


Figure 5: Level of education

4.6.3 Management

The Regional Steering Committee manages the affairs and tracks the performance of the Kasheshe SCA on the regional level. An elected committee supervises operations at the village level. The latter committee is made of the chairperson, secretary and treasurer. Only one of the three committee members in managerial positions (secretary) is a male. The participation of women at the management level is consistent with international findings and trends. It is encouraging, as it suggests an enhancement of the economic and social status of rural women, as well as the intra-household bargaining power of women.

4.6.4 Funding

At the time of the study, the Kasheshe Microfinance Savings and Credit Association was not in receipt of any donor funding, apart from the funds received from RISE Namibia, the sponsoring and project implementing agency organisation. The Association only received the initial start-up capital from RISE Namibia that lent the money to the Association. After receiving the funding, the Association re-lends the money to its members, exclusively for business purposes, or as start-up capital. The election of a committee is a pre-requisite for the acquisition of the loan by a SCA from RISE Namibia (Masiye, 2009).

4.6.5 Membership

The Kasheshe SCA had 29 members during the time of the research, 21 women and 8 men, that is, 74% women compared to 26% men. The participation of the women in the activities of the SCAs gives the Association an advantage in terms of securing sponsorship. Women are favoured by both donor organizations and MFIs because they are believed to be trustworthy and committed to the financial institution. The age distribution of the Kasheshe SCA members who were interviewed is shown in Figure 7. The largest percentage (55%) of members is in the age group 31-49, with a small percentage (15%) under 20 years and a smaller percentage (11%) over 50. This illustrates that a high proportion (89%) of the members of the Association is in the economically active age groups. As in the previous case study, this suggests that the majority of members would have the energy and enthusiasm to engage actively in business ventures.

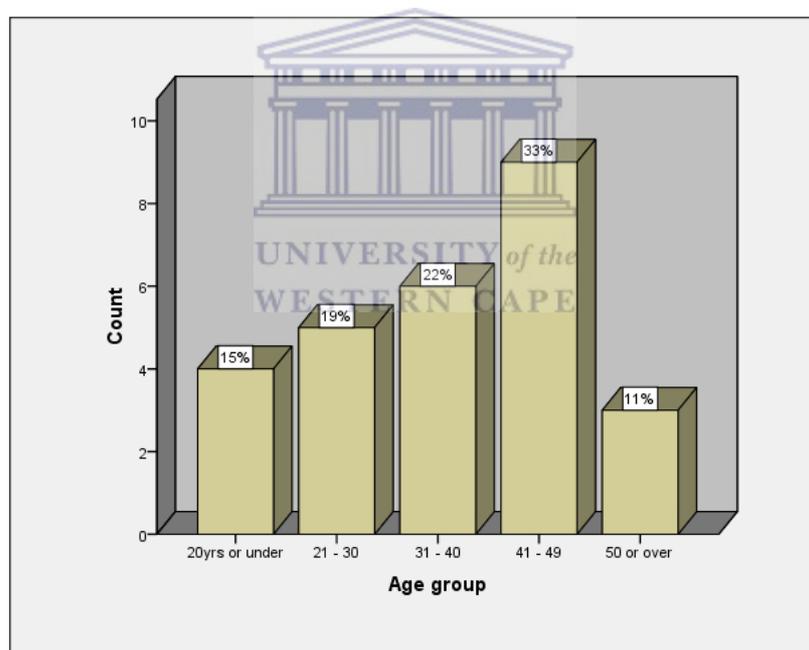


Figure 6: Age groups of members

The members of Kasheshe SCA were asked to indicate their marital status, which is presented in Figure 8. Thirty three percent of the members were single, while nearly half (44%) were married at the time of the research. A total of 11% of members indicated they were divorced and an additional 11% indicated that they were widowed.

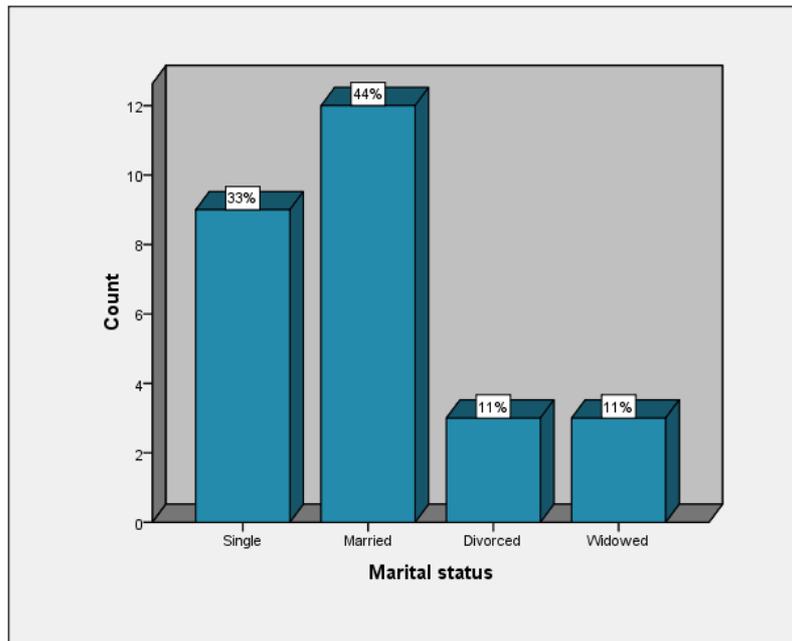


Figure 7: Marital statuses of members

4.6.6 Microcredit Services

During the time of the fieldwork, the Kasheshe microfinance Savings and Credit Association provided two financial products, a savings and credit service, to its members in the community. The funding agency, RISE Namibia, mortgaged the loan capital of N\$1620.00 to Kasheshe SCA, and the Kasheshe SCA then re-loaned it to its members. Loans are usually approved for short-term periods of six months.

4.6.7 Savings Services

The saving services are the same as for the Masokotwani SCA. For the period of the research, the Association had negative savings balances in its revolving fund account. This is attributed to the failure of members to repay their loans, due to factors such as poor management and poor profit from their businesses, while some used the money for their own consumption. The financial and progress report showed that the Association's finances were not favourable during the time of the research.

The financial and progress report specified that the Association had shares and membership fees of N\$1,620,00 and savings of N\$0,00 during the time of the research, while N\$1,620,00 was deposited into the savings account of the Association. N\$8,400,00 was loaned to members as start-up capital, and the amount to be paid back in total at 15% interest was

N\$9,660,00. Members re-paid only N\$1,680,00 of the loan amount, with a balance of N\$7,980,00 still outstanding or in default. However, as stated in its mission statement, the Association is continuing their efforts to alleviate poverty and financially empower the poor rural people, to achieve broader outreach, as well as to increase the depth of its outreach to vast numbers of poor people, thus assisting them in escaping from the cycle of poverty.

Table 4, below reviewed the financial report of 2008/2009 of Kasheshe savings and credit association.

Table 4: Financial Report of 2008/2009 of Kasheshe SCA

Name of the SCA	Number of members	Shares and membership fees	Savings	Total paid	Loans amount	Amount to be paid	Amount paid	Balance left
Kasheshe	27	N\$1,620,00	N\$0,00	N\$1,620,00	N\$8,400,00	N\$9,660,00	N\$1,680,00	N\$7,980,00

Source: RISE Namibia, 2009.

4.6.8 Networking and Financial Literacy Training

The Association has a savings account with the First National Bank branch situated in the town of Katima Mulilo. The profit from members is deposited into the Association’s account and withdrawn for re-lending purposes. Committee members were trained in financial and small business management by RISE Namibia employees. The committee members in turn trained their fellow members on different aspects of village banking management.

The members are also involved in promoting the initiatives of village banking by going out to local communities and educating them about the returns of the community-driven financial service centre. Members run small businesses to generate income which help in reducing unemployment and serve to encourage entrepreneurship in the local communities. Members were engaged in the same small business enterprises in the three SCAs and they identified the businesses as viable and not expensive to establish. But the first loans acquired were not sufficient to start big businesses. The loans were between N\$500 and N\$700. The profit earned by each enterprise is saved in the association’s account, while each enterprise has an individual account in its own name.

4.7 PRESENTING AND ANALYSIS OF RESULTS

The Association's proximity to the highway gives it an advantage to provide fast foods, fish, wood and meat outlets to travellers. Before the establishment of the Association, there were no or few micro-enterprise activities in the vicinity. Most of the inhabitants, especially the poor and unemployed youth, were idle and not engaged in any productive activity. Their inactivity is not due to laziness, but to the lack of access to financial services that would enable them to engage in income-generating activities.

The situation prompted RISE Namibia to come to the assistance of the local community. The NGO mobilised local people to form a village bank,¹¹ which led to the establishment of the Kasheshe SCA. The Association started providing credit and savings for business purposes to its members. Members responded by joining the Association in large numbers. The researcher interviewed some of them about the services they received from the Association. Most of them confirmed that they were satisfied with the services the Association provides. This information is given in Table 5.

Table 5: Level of Satisfaction of Respondents with Quality of Credit Services

Responses of members	Number of members	Percentage of members
Very satisfied	5	18.5
Satisfied	13	48.1
Mixed feelings	7	25.9
Unsatisfied	1	3.7
Very Unsatisfied	1	3.7
Total	27	100.0

Table 5 shows that 66.6% (48.1% and 18.5%) of members were contented with the credit services provided by the Association, while 25.9%, had mixed feelings, with a very low percentage of members who were unsatisfied and very unsatisfied (7.4%). The reason for this high level of satisfaction, nearly 70%, could be that nearly every member managed to access a loan from the Association.

¹¹ Village Bank is community managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Ledgerwood, 1998).

Members with successful micro-enterprises acquired productive assets such as cattle, land, hoes, iron ploughs and traditional houses. They purchased their assets with income obtained from their small businesses. The productive assets conferred on them a sense of ownership and pride, as these assets were viewed as wealth. Also, the assets are seen as investments and may possibly be utilised as livelihood strategies during times of shocks and emergencies as sources of income. Ownership of assets has led to the betterment of the quality of life of members.

Members who succeeded in their businesses moved themselves out of the vicious circle of poverty. Their membership helped them to secure safety nets during emergencies. All members of the Kasheshe SCA are involved in some form of income-generating activity. The Association has created seven jobs in farming and trading activities. There were twenty-seven members who owned businesses during the time of the research. The Association has positively impacted on the livelihoods, social position, treatment of women at household and community levels, living circumstances and adherence to consumption principles of members.

Table 6: Improvement in women's livelihood after becoming members of Kasheshe SCA

Responses from members	Number of members responded	Percentage (%) of members responded
Yes	15	55.6
No	1	3.7
Don't know	11	40.7
Total	27	100.0

Table 6 gives a variety of responses from members with regard to the improvement in women's economic and social livelihoods after the women became members of the Association. More than half of the members, 55.6%, agreed that women's livelihoods normally improved following the establishment of the Association, while 3.7% was in disagreement and 40.7% were neutral. Both female and male members were interviewed regarding the economic and social status of women after the establishment of the Association. The provision of monetary services, such as credit and savings to members is assumed to have cemented a strong bond amongst the members, especially among the women. The lack of

mutual relationship among members and caring for each other before the creation of this Association was acknowledged.

Members indicated that micro financial institutions could bring a lot of non-financial benefits to their members in rural areas. Such benefits could be the reduction of rural-urban migration, by making rural areas more attractive to young and skilled people who often believe that cities are the only places for their survival. Other developments could result in modern technologies to be brought to rural areas. In this respect, MFIs could help transform rural areas, so that young and skilled people remain in villages and contribute to their economic growth and development. Employment could be created, leading to the reduction in poverty-related crime and a decrease in the rate of malnourished children.

Kasheshe SCA, like Namalubi SCA, the third case study to be discussed, was not financially viable and sustainable during the research period, as the Kasheshe SCA had a zero balance in its bank account. The zero balance resulted in more members failing to secure financial services, and meeting their financial needs, which can negatively impact on the Association's cash inflow in future. During the interviews, committee members of this Association and the regional steering committee were not convinced about the long term financial viability and sustainability of the Association. They were uncertain about the financial status of the Association due to the high defaulting rate on the weekly or monthly payments of members.

4.8 BACKGROUND OF THE NAMALUBI VILLAGE¹²

The Namalubi village, located in the Katima Mulilo Rural Constituency of the Caprivi region, is situated 10 km on the eastern side of Katima Mulilo along the Katima-Ngoma main road. Of the three settlements included in this research study, it is the closest to a big town. This means that a diversity of services and resources are more easily accessible to villagers than is the case with the other far-flung settlements. The village has been affected by flooding yearly since 2008. During these floods, people are relocated to higher grounds for their safety.

4.8.1 Population

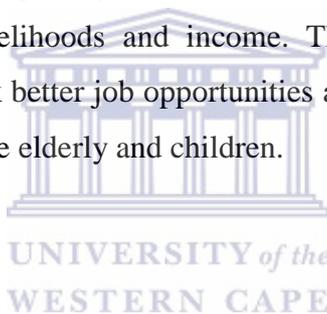
The Namalubi village has an estimated population of 900 people. The inhabitants of the village are also Mafwe people and the Silozi language is widely spoken within the

¹² Due to lack of official documentation on the villages, references could not be presented. All the information in the chapter was gained through interviewing members of the Associations.

community. The village falls under the traditional authority of Chief George Simasiku. The village is traditionally managed by two indunas, one junior and one senior induna. The indunas are accountable for the affairs of the village, such as maintaining peace, and leading, solving and making community decisions in consultation with the chief.

4.8.2 Economic Activities

As with the other two villages, the Namalubi village is characterised by an extremely low level of economic activity. Subsequently, the village is faced with endemic high unemployment, estimated to be above 90% at present. The poverty rate is on the increase, according to the members interviewed. The only people with permanent employment in the village are professionals, such as teachers, as well as unskilled manual labourers and self-employed people who own small businesses. Also, in this village the inhabitants practise small-scale livestock farming with poultry and cattle, and subsistence farming, which are the main sources of subsistence livelihoods and income. The young people are continually migrating to urban centres to seek better job opportunities and an improved life style, leaving behind inactive groups, such as the elderly and children.



4.8.3 Infrastructure

The infrastructure is very poor at Namalubi village. The Katima-Ngoma main road passing the village is the only proper road. Namalubi village was electrified under the Government programme of Rural Electrification supplied by NORED. Underground water is provided to households through boreholes and water pumps. Telephone landlines are available on request but cell phones are the preferred means of communication by the community. There is no post office, so people have to travel to Katima Mulilo for postal and banking services.

4.8.4 Educational Facilities

The Namalubi primary school is the only school serving the community. The school caters for pupils from grade 1 to 7. Due to extreme poverty most parents cannot afford to pay for school fees, uniforms and books. After grade 7, learners have to attend secondary schools in other towns, such Mafuta or Katima Mulilo. This has turned to be a costly exercise for parents, as their children need to be accommodated in school hostels. Consequently, there are children who do not attend school or have to walk long distances to school from their homes.

4.8.5 Health Facilities

There is no clinic within Namalubi village and people have to travel to Katima Mulilo for medical attention.

4.8.6 Financial Institutions

The Namalubi Microfinance Savings and Credit Association was the only financial institution existing at the village during the time of the research. Formal financial institutions are only found in Katima Mulilo. Due to the lack of financial facilities, the Namalubi SCA was initiated to satisfy the financial needs of the local population.

4.9 THE CASE STUDY OF THE NAMALUBI MICROFINANCE SAVINGS AND CREDIT ASSOCIATION

4.9.1 Background of the Case Study

The Namalubi SCA started its operations in 2007, providing credit and savings services to its members. This Association also operates at a village level and applies the Village Banking Microfinance Model, as is the case of the Masokotwani and Kasheshe SCAs.

4.9.2 Education of Members

Figure 9 presents the results of the educational levels of members. It illustrates that the members of Namalubi SCA have educational levels ranging from those having non-formal education (30%), to primary (20%), and secondary education (50%). no members possessed a college or technicon degree or diploma.

Members who completed secondary education constituted half of the membership of the Association. The high percentage of members with no formal education had no negative impact on the success of the Association, as the members with secondary education received training first on how to manage and run businesses. Thereafter, they retrained their fellow members in business and financial management, using the vernacular language for enhanced comprehension with those having limited educational backgrounds. Thus, the high percentage of members with secondary educational qualifications is an advantage, as their support of

fellow members can assist the Association realize its goals and become a very successful business

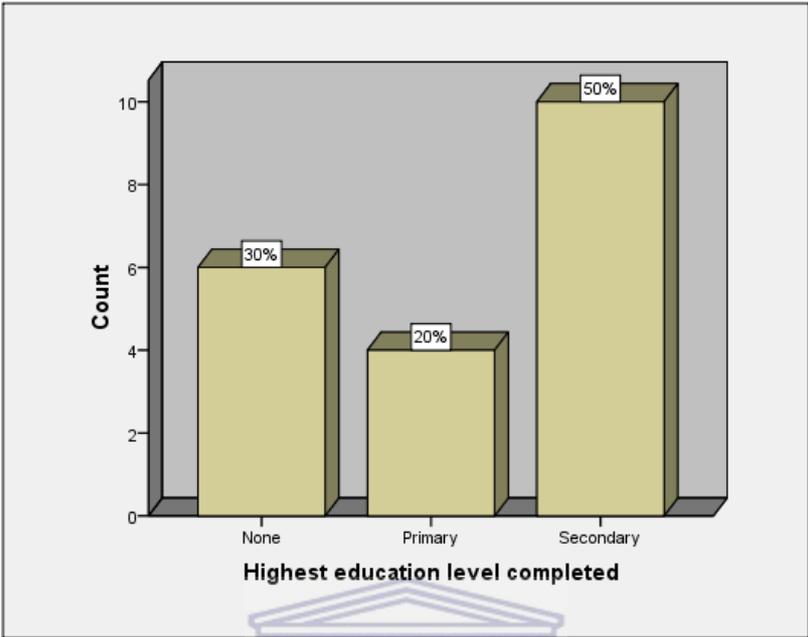


Figure 8: Level of Education

4.9.3 Management

The activities of the Namalubi SCA are overseen by the Regional Steering Committee on the regional level. The Committee runs the Association at the village level. The committee consists of the chairperson, secretary and treasurer. Only 1 of the 3 committee members in a managerial (treasurer) position is a male.

4.9.4 Funding

At the time of the fieldwork, the Namalubi microfinance Savings and Credit Association had no external funder, except RISE Namibia, the sponsoring and project implementing agency organisation that funded the initial start-up capital. As in the case of the other two SCAs, RISE Namibia lent the money to the Namalubi Association, and the Association re-lent the money to its members for business purposes, or as start-up capital. Also, the Association had to elect a committee in order for it to qualify for a loan from RISE Namibia (Masiye, 2009).

4.9.5 Membership

The membership of the Namalubi SCA was analysed on the basis of gender, age group and marital status. The Namalubi SCA had 20 members during the time of the research, 12 women and 8 men. The female majority comprised 60% of the membership.

The Namalubi SCA members presented by age groups are shown in Figure 10.

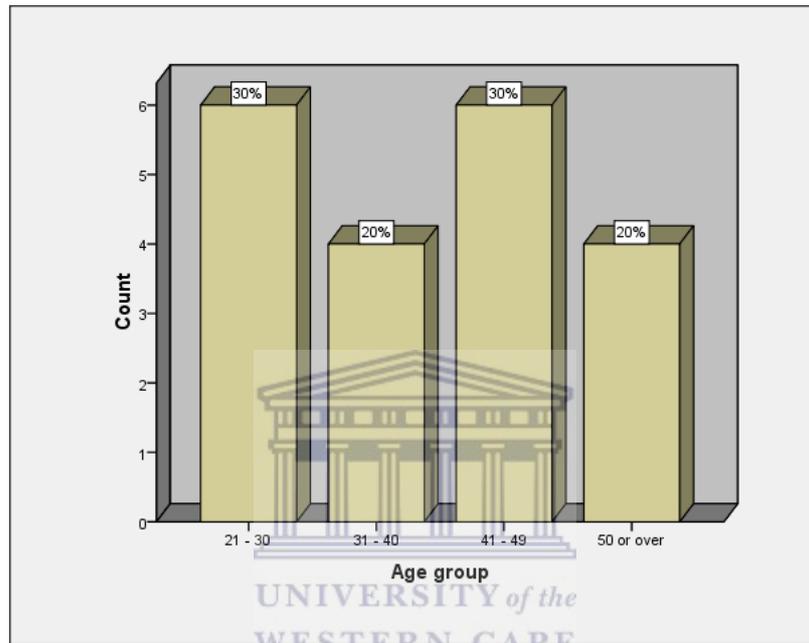


Figure 9: Age groups of members

The majority of respondents are in the economically active age cohort, with 80% between 21 and 49 years old. The remaining 20% was older than 50 years. This high percentage of economically active members puts the Association in a prospective advantageous position.

Members of Namalubi SCA were requested to indicate their current marital status. Figure 11 presents the distribution of members by marital status.

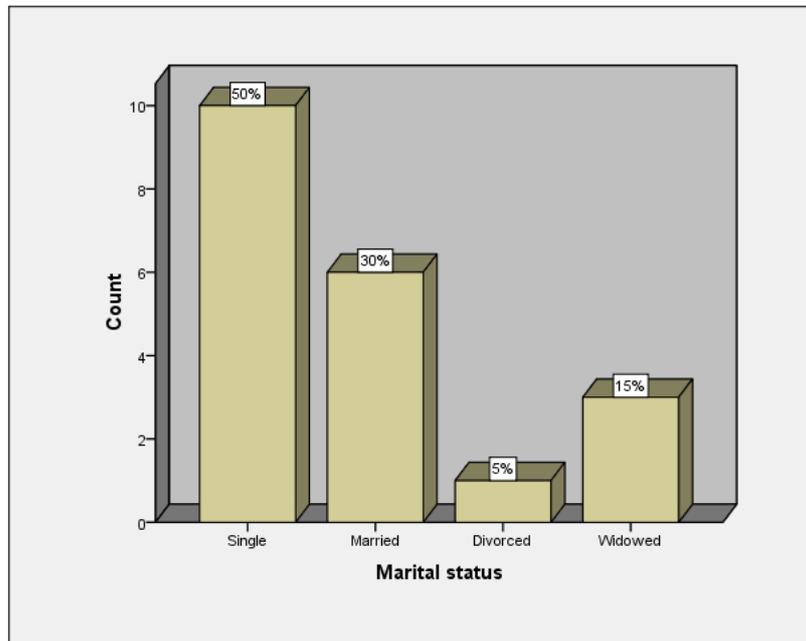


Figure 10: Marital statuses of members

It can be seen that half (50%) of the members were single, while 30% were married at the time of the research. Also, some members were divorced or widowed, that is, 5% and 15% respectively. As is the case in the other two case studies, in the absence of wives or husbands, more opportunities are available for members to devote their time to their income-generating activities and to the progress of the Association.

4.9.6 Microcredit Services

As with the other SCAs, RISE Namibia, the sponsoring agent, lends loan capital to Namalubi SCA, and the Association in turn lends funds to its members. The loans are awarded based on moral collateral and members have to repay the loan within six months. The purpose of the loans was for productive reasons and not for consumption. As stated, the loans were allocated to members with the main aim of starting micro-businesses for them to generate more income and for the members to engage in income-generating activities in order to raise more money for themselves and the Association. Women were granted twelve loans and men six.

4.9.7 Saving Services

Members are obliged to invest twenty-five percent of the value of their loan amounts received in the Association. As with the other SCAs, members' savings are attached to loan amounts to be granted; the higher the savings, the higher loan amount and vice versa. Savings are used to

cover operational and financing costs, as well as the activities of the Association, such as financing new loans. The Association does not pay interest on members' savings, but gets a share of profits from the Association's re-lending activities. In other words, no interest is paid on members' savings but members will benefit from the profit made by the Association from the loaned money which is paid back with interest.

During the course of this research, the Association's financial position was not sound. According to the secondary sources accessed by the researcher, such as financial and progress reports, the Association was experiencing financial difficulties. The financial and progress report of the Namalubi SCA indicated that the Association had shares and membership fees of N\$1,440,00, N\$0,00 savings during the time of the research, and a total of N\$1,440,00 was paid into the Association's savings account. A total of N\$4,900,00 was paid out to members in the form of loans. The total amount to be paid back on these loans, calculated at 15% interest annually, was N\$5,635,00. But members paid back a total amount of only N\$1,880,00 of the loan amount, with an outstanding balance of N\$3,755,00 in default. The latter constitutes 66, 64% and reflects a serious situation that severely impacts on the financial viability and long term sustainability of this Association.

Furthermore, the Association has as a well-articulated goal, namely, the alleviation of poverty and economic empowerment of its members. The Association aims at reaching out to as many poor people as possible through the provision of affordable financial services which, in the long run, would help reduce rural poverty. Through home visits, the Association is trying to encourage more people to join its ranks.

In the table below, the financial report of 2008/2009 summarizes the Namalubi Savings and Credit Association's diverse activities.

Table 7: Financial Report of 2008/2009 of Namalubi SCA

Name of the SCA	Number of members	Shares and membership fees	Savings	Total paid	Loans amount	Amount to be paid	Amount paid	Balance left
Namalubi	24	N\$1,440,00	N\$0,00	N\$1,440,00	N\$4,900,00	N\$5,635,00	N\$1,880,00	N\$3,755,00

Source: RISE Namibia, 2009.

4.9.8 Networking and Financial Literacy Training

The Namalubi SCA, like the other two Associations included in this study, has established a link with a commercial bank, the branch of First National Bank in the Caprivi region. The Association has a single savings account with the bank and deposits members' profits into this account. Funds earmarked for loans to members of the Association are withdrawn from this account. The bank offer discounts on the Association's bank account.

The members of the Association are also involved in rural extension work. The purpose of this outreach is to promote the concept of village banking in the neighbouring communities and to educate these communities about the advantages of a community driven and controlled financial service centre. The small businesses in which members are involved are the same as those in the SCAs of Masokotwani and Kasheshe.

4.9.9 Analysis of results

As with the other SCAs, the Association disbursed loans to members on a group basis as start-up capital for them to engage in any business venture of their choice in order to generate more income. The Association, therefore, depends on members networking and creating cluster formations (members form groups of six) as a form of management for its micro financing activities. A cluster formation as a mode of group cohesion has been successful in rural settings, as the Namalubi area, where communities are moderately isolated from economically active centres, such as Katima Mulilo. Establishing social cohesion amongst members strengthens trust and teamwork amongst members, as well as enabling members to work together harmoniously and efficiently.

The Namalubi SCA targets its members from those who are excluded by the formal banking sector due to lack of collateral. Members of Namalubi SCA generate income through involvement in micro businesses. For a lot of Namalubi SCA members, microfinance is merely a basis of credit to satisfy their survival needs. Microfinance that develops amongst solidarity groups based on group formation and pooling of resources is likely to be more familiar in the under-developed rural areas where modern amenities and conventional funding options are entirely or almost non-existent, as in the Namalubi settlement. The Association, however, has not succeeded in attracting the poorest sector because of the compulsory membership and share capital fees. In order to address this problem, the Association has

changed its policy and encouraged members to form groups of six, so that the group members could help each other raise money for the membership and share capital fees.

This new policy has enhanced access to very poor members to a range of goods and services. The increased access to finance by the poorest sector for production purposes has led to food security and the generation of rural income for these households. This in turn enabled very poor members to build effectual safety nets and to be better prepared to deal with emergencies.

The SCA in the Namalubi area has facilitated the diversification of economic activity from a traditional agricultural economic base to a more off-farm nature, with micro economic initiatives and activities expanding, such as selling firewood, vegetables, meat, fish, recharge vouchers for cell phones, as well as establishing hairdresser, barber shops and small grocery shops. Such development was reported during interviews by twenty members who were involved in micro-businesses.

A very encouraging finding was that through the Association’s indirect impact, seven rural employment opportunities were created in the local economy in farming activities and in the form of shop attendants. Although this is a modest number given the extent of unemployment in this community, it is nevertheless significant insofar that it shows that with relatively little financial assistance, the rural (informal) economy can be stimulated and diversified. It suggests that local grassroots initiatives, building on traditional patterns of social organization, can indeed have an impact on the local economy.

Tables 8 and 9 compare the involvement of members in income-generating activities before and after the establishment of the Namalubi Association.

Table 8: Number of Members involved in Small Business Activities before joining the Association

	Number	%
Members that owned businesses	7	35.0
Members never owned businesses	13	65.0
Total	20	100.0

Table 8 shows that only 35% of the current members had some form of small business before the existence of this Association. The main obstacle mentioned for not starting up a small business enterprise was the pervasive lack of access to quality financial services. This meant that these rural communities could not escape from the marginalized and vulnerable socio-economic situation they were in. This was especially so in the case of women, who were disadvantaged in accessing available resources due to culturally based chauvinistic power relationships. As a result, before the establishment of this Association, a large number of members depended on working family members for their survival needs.

Table 9 shows how the Association had positively impacted the general economic and social status of the majority of its members. It can clearly be seen from the high percentage (90%) that many members occupied themselves with small businesses as sources of income to meet their basic livelihood needs. But others were already in business before joining the Association, which means they joined the Association just to increase their financial running costs. After the establishment of the Association, 90% of members have started micro-businesses, while 10% did not. The inactivity of the latter may be due to various reasons, such as not being interested in starting a business, a very small loan received to start a business successfully, used start-up capital for consumption purposes, or having paid either the membership or only the share capital fees.

Table 9: Members involved in Small Business Activities after joining the Association

Members of the organization	Number of members	Percentage (%) of members
Members who own businesses	18	90.0
Members who do not own businesses	2	10.0
Total	20	100.0

The members’ access to funds enabled them to engage in small businesses. The fact that these (or at least some) are sustainable ventures can be attributed to diverse business training and acumen. The Association clearly empowered members to partake in economic activities in their area, either directly or indirectly, by facilitating the development of a wide range of skills inclusive, but not limited to, organizational, administration and financial management. This has positively impacted farming and off-farming activities through increased productivity and yields.

It can be observed from Table 9 that the Association has empowered marginalised cultural groups, such as women, both economically and socially compared to their situation prior to the existence of this Association. Females are currently in leadership positions in most of the Associations’ committees and operate their own individual small businesses. A total of 60% of small businesses were owned by women, while men owned 40%. The Association created social and cultural space and opportunity for women groups in a male dominated and prejudiced setting to systematize themselves in social groups and engage in economic activities. The Association afforded women the chance to initiate and lead social and economic enterprises within their area. The format of the Association helped women increase their confidence, form structures, and gain mutual support from amongst themselves.

Table 10 indicates the various responses from members with regard to women’s economic and social lives improvement after they became members of this Association.

Table 10: Improvement in women's livelihood after becoming members of Namalubi SCA

Improvement in women's livelihood	Number	%
Yes	18	90.0
No	0	0.00
Don't know	2	10.0
Total	20	100.0

Both men and women were interviewed regarding the improvement in women’s livelihood. The overwhelming majority of members, 90%, agreed that women’s lives generally improved after women joined the Association. Whilst no members were in disagreement, a mere 10% admitted that they were unaware of the impact on the livelihood of women who joined the Association. The Namalubi SCA has also affected the non-tangible aspects of its members’ lives, such as cooperation and trust. The Association also helped to establish a culture and spirit of volunteerism and teamwork amongst female members. This is evidenced in the number of women compared to men involved in most projects operating in their vicinity, with women at the forefront.

The majority of women in the Association (60%) promoted independence amongst members, as well as a sense of unity which helped members as a group face social problems

experienced by individual members. The provision of financial services, such as credit and saving services to members, is believed to have led to the cohesion and solidarity among members.

Discussions with members revealed the existence of mutual relationships among members and caring for each other after the creation of the Association. However, a large number of members were sceptical about the viability and sustainability of the Association due to a high defaulting rate on their own weekly or monthly payments. Their revolving fund or savings account had zero balances during the time of the research, which perhaps will have a negative impact on the Association's cash inflow in future.

4.10 CONCLUSION

In conclusion, this chapter has presented the findings from the empirical fieldwork. Overall, the findings indicate the positive impact that the three SCAs have had on the livelihoods of its members. Other advantages have been the creation of a number of small businesses that have alleviated some of the poverty previously faced by the members of the SCAs. In addition, these businesses have created some employment opportunities in the region.

Chapter 5 presents the key findings of the research. It also outlines a number of recommendations, based on findings and insights produced by the data on how microfinance and MFIs can alleviate poverty amongst members of the SCAs in rural communities of Caprivi region. The chapter ends with some concluding remarks.

CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter summarises the major findings of the research. It further provides a number of recommendations, based on the findings and insights generated by the data on how microfinance and Microfinance Institutions (MFI) can alleviate poverty amongst members of the Savings and Credit Associations (SCAs) in rural communities. The chapter ends with a number of concluding remarks.

5.2 SUMMARY OF THE RESEARCH FINDINGS

The main aim of this research was to establish whether microfinance is an initiative that represents a sustainable poverty-reduction strategy. The research examined to what extent microfinance is contributing towards alleviating poverty amongst members of the three SCAs in rural communities. In other words, this research sought to answer the question: To what extent are microfinance and micro financial institutions improving the living conditions of its members? The research focussed on three micro-financial savings and credit associations currently operating in Masokotwani, Namalubi and Kasheshe and located within the broader of Caprivi Region in north-eastern Namibia.

In general, the research findings show that the three microfinance savings and credit associations are playing a positive role in alleviating poverty amongst its members, who in the past had no access to credit through financial institutions. The SCAs through its sustainable financial initiatives has proved to be a source of income to most of its members who are now benefiting from its initiatives. The research findings show that SCAs has positively contributed to the improvement in the living standards of its members in terms of access to credit, increased income of members, access to productive assets through the support of children's education, improvement of members' health and nutritional status, and through the empowerment of women.

5.2.1 Improvement in Living Standards

The research established that there has been a vast improvement in the living standards of the members of the three SCAs in the form of increased income and enhanced health and food status compared to the period before the SCAs were established. The analysis shows that the income of members of Masokotwani SCA increased by 88.5%, the income of members of Kasheshe SCA increased by 55.6%, while the income of members of Namalubi SCA increased by 90%. All members of the three SCAs managed to pay for health services and food for themselves and their families. The perception of an increase in the level of living standards of members of the three SCAs is also attributed to their increased ownership of micro businesses. Also linked to improved living conditions is the fact that some of the members of the three SCAs have acquired assets, such as television and radio sets, land, cattle, and so forth, which are commodities that substantially contribute to a better quality of life and dignified standard of living.

5.2.2 Microfinance Institutions as Source of Credit

Data gathered during this research reveals that 65% of all members of the three MFIs had no sources of credit to engage in income-generating activities before the existence of the Associations due to lack of collateral. The MFIs were created to fill this financial gap. The three MFIs, namely, Masokotwani, Kasheshe and Namalubi served as major sources of micro-credit for their members. As a result, the majority of the members of the three SCAs owned businesses after the establishment of the three SCAs. The running of small business enterprises improved the members' living standards as the income generated was used for smoothing over consumption, that is, paying for daily basic food and other basic household needs.

5.2.3 Microfinance Institutions and Increase in Income of members

The research shows that there was moderate increase in members' income generated from their small businesses. The majority of members of the three SCAs complained that their incomes were insufficient to satisfy their basic needs. However, despite the fact that the majority of the members of the three SCAs complained of insufficient income, the study shows that 50% of the members of Masokotwani SCA, 70% of Kasheshe SCA and 90% of Namalubi SCA have experienced an improvement in their living standards. This shows that

income is not the only measurement of living standards. The increase of members' income also led to an increase in the number of household members that each member supports. The study found that an average member of the three SCAs supports at least three to four household members who depend on him or her for food, clothes and shelter, and, on average, each member supports three family members at school. Also, members of the three SCAs were able to save and use their savings to cope with unpredictable shocks and emergencies, such as death, sickness, drought, flood, poor harvests, animal diseases and pests.

5.2.4 Microfinance Institutions and productive assets

The research indicates that there was a relative increase in ownership of livelihood assets by most members of the three SCAs, such as livestock, farming equipment (hoes, axes, ploughs), poultry farming and land acquisition, due to the income gained from small businesses owned by the members. Members of the three SCAs used their profits to acquire assets. The start-up capital was provided by the three MFIs.

5.2.5 Microfinance Institutions and Children's Education

The research shows a diverse response on the role of MFIs in the improvement of children's education. Some members of the three SCAs report that they are able to send their children to local schools using income generated through the small business enterprises established through the MFIs. It can be concluded that providing financial services to the members of the three SCAs enabled them to improve their children's education by sending them to schools in town (Katima Mulilo) that are believed to offer quality education in the Caprivi region.

5.2.6 Microfinance Institutions and Members' Health and Nutritional Status

In relation to the improvement on health, the research found that MFIs contributed considerably to the improvement of health among the members of the three SCAs. Data indicated that the members of the three SCAs managed to pay for medical services at the local clinic due to increased income from small businesses. Similarly, women who were members of the three SCAs in the rural areas of Caprivi region were in a better a position to provide for their families with nutritious food, as well as making use of contraceptives and, thus, impacting on family size. Finally, it can be stated that from this research it has become

evident that the provision of MFI services to the members of the three SCAs contributed well to the improvement of their health and wellbeing.

5.2.7 Microfinance Institutions and Empowerment of Women

It is evident from the research that MFIs have a considerable impact on the empowerment of women. This is apparent throughout the three MFIs which the research focussed on. The members of the MFIs testified to women's participation: Masokotwani SCA, 88.5%, Kasheshe SCA, 55.6%, and Namalubi SCA, 90%. Their participation in the organisation contributed to a large extent to their socio-economic empowerment. It enabled women who are members of the three SCAs to make decisions both on community and household levels with regard to community projects, income expenditure, buying and selling of household assets (livestock and land), purchase of household food, paying household expenses and working outside the home. Additionally, the research also revealed that when women who are members of the three SCAs are provided with financial services, not only are they financially empowered but their political value in societies tends to be more highly appreciated. This is aligned with patriarchal societies, such as those in the Caprivi region, where women's roles still need to be better appreciated and their status elevated to match that of their male counterparts. It is concluded from the research that MFIs act as a channel for women's empowerment.

5.3 APPLICATION OF THE MODEL

The sustainable livelihoods approach (SLA) was developed to assist in comprehending and examining the livelihoods of the poor in order to improve the effectiveness of livelihoods-related development assistance. This approach is generally perceived as a successor to the Integrated Rural Development approach. The sustainable livelihoods approach provides a framework to help understand the most important factors that have an effect on poor people's livelihoods, and the relations between these factors and how this in turn assists in the planning and implementation of more effective development interventions (Ashley & Carney, 1999; NZAID, 2002).

According to Ashley and Carney (1999) and NZAID (2002), the sustainable livelihood approach:

- ascertains the existing assets and strategies available to poor women and men, and uses these as a starting point;
- assists in keeping the focus on poor people and their diverse livelihood assets, strategies and outcomes (rather than resources and activities);
- identifies differences based on sex, gender, age, ethnicity, power and poverty status;
- builds on strengths as a means to deal with the needs and constraints of the poor;
- makes explicit the links between policy and institutional issues, and micro level realities; and
- helps in understanding how individual, possibly sector-specific, development programmes and projects fit into the wider livelihoods agenda and objectives.

The sustainable livelihood approach and its principles provide an important analytical framework that assists in understanding poverty and the way poor communities create their livelihoods using diverse assets and strategies (rather than resources and activities), and the different challenges that they face. This approach has assisted in the identification of specific elements of the livelihoods of people living in the three case study areas, namely, their farming activities, investment in livestock and the acquisition of farming equipment, the establishment of small businesses, and the education of their children. It has further enabled an examination of how different activities have resulted in a better quality of life and livelihoods that are sustainable.

Research results have shown that access to microfinance as a source of income has not only improved living standards and reduced poverty, but has also contributed to empowerment and small business development. Furthermore, all three savings and credit associations based their operations on the guiding principle of a people-centred approach. This approach, according to a number of scholars, supports the participation of target groups in any planned development programme in ascertaining decisions on the type of development most fitting to their needs, and also participation in planning, implementing, as well as monitoring and evaluation of the development initiative (Jamieson *et al.*, 2004).

The people-centred approach was used by the sponsoring organization, RISE Namibia. After identifying the need for micro-credit organizations, in terms of the members engaging in income-generating activities, RISE Namibia involved the members of the three SCAs in the

identification and implementation of activities, such as the formation of microfinance savings and credit associations, training, and designing of laws governing the running of their Associations. They used this approach as they appreciated that local people best understood their situation and needs and, therefore, involved the members of the three SCAs in the design of policies and projects that were intended to improve their lives. Once the members of the three SCAs were consulted in the design, they were more committed to its implementation. Thus, participation by the members of the three SCAs improved project performance.

The principle of people-centred development was further applied as the members themselves facilitated the formation of SCAs. Members of the three SCAs had the prerogative to elect their own committee members. These committees had the power to call meetings at village level, accumulate share capital, manage members' fees and approve loan applications. Also, there was evidence of group-based credit lending which promoted social cohesion and mutual trust among members which was not previously in existence. Thus, working together led to the development of a strong bond among its members. Another contributing factor to its success was that every member is incorporated equally into the activities of the MFIs.

This strategy stresses the powerful input of the majority of the ordinary members, especially the formerly disempowered sections, such as women and the poor, in the design and implementation of a development programme. The engagement of members in MFIs developed and advanced the capabilities of members and empowered them in development activities. This led to the self-transformation and self-reliance of members that guarantee project sustainability.

In contrast, the top-down approach to development allows little or no involvement of the target group (beneficiaries) for which the development initiative is intended. The approach is very dictatorial and is capital-centred as opposed to people-centred (Jamieson *et al.*, 2004). This old paradigm did not lead to most projects been successful, as the beneficiaries do not regard the project as theirs, nor do they have a sense of ownership. Also, this paradigm missed the type of development relevant to the needs of the beneficiaries and, therefore, most projects have failed (Feyissa, 1997).

The principle of holism, acknowledgments that people have multiple livelihood strategies in pursuit of multiple livelihood outcomes, was applied by RISE Namibia in the establishment of the MFIs in the three case study areas. Before the establishment of the MFIs, members of

the three SCAs had very limited livelihood strategies which they could use to enhance their socio-economic circumstances. After the successful creation of the MFIs, most members of the three SCAs turned out to have several livelihood strategies, such as farming activities, investment in livestock and acquisition of farming equipment, establishment of small businesses, the education of their children, and land and houses. Several members managed to pursue their livelihood strategies, such as increased income, increased food for the household, payment of medical costs, educational expenses for their children, affording transport, farming equipment and houses, due to income generated from their small businesses or savings. Another issue that contributed to the success of the MFIs operating in the case study areas is that they have networked with formal banks in terms of savings services. The involvement of a range of stakeholders, such as government ministries, private sectors, international organizations and community based organizations, in the process of development certainly leads to more successful outcomes.

The principle of sustainability was partly achieved by all the three MFIs. Some members of the three SCAs managed to acquire assets in the form of livestock, small enterprises, land, farming equipment and cash savings. These assets helped the members of the three SCAs to withstand the external shocks and stresses, such as death, illnesses, drought, flood, economic uncertainty, and crop and livestock health. Also, most members of the three SCAs are able to provide for their basic needs, such as daily food, health services, clothing and education for their children, without depending on external support. Their assets have grown to a large extent, which translated into members moving towards a more acceptable standard of living. Women have been economically integrated into the community, due to their improved economic and social status.

5.4 RECOMMENDATIONS

The last section of this thesis contains several recommendations. These are focussed on the findings, as well as experiences and impressions, gained during the time that the researcher spent conducting interviews and reviewing literature about the three SCAs. Spending a significant period at the three SCAs afforded the researcher the opportunity to gain a deeper insight into issues that present challenges to and are inhibiting the operations of the three SCAs and, by default, the potential beneficial impact of these SCAs on its members and their dependents.

The following recommendations are made:

- All the three MFIs need to provide services, such as micro-loans, business and financial management that will meet the needs of the poorest of the poor, if their social mission of microfinance is to be reached. They are required to intensify the depth and breadth of their outreach. This can be fulfilled by providing proper services, depending on the needs of the poorest, and warranting that such services are offered in a cost-effective approach.
- The MFIs should carry out initial holistic livelihood security analysis for them to have a clear indication of the root causes of poverty and how rural poor people deal with poverty. Weaknesses and gaps in the overall livelihood security of the poor should be identified, rather than only concentrating on the material/economic impact of microfinance on the livelihoods of the poor.
- If microfinance is to be used as a promotional tool for credit and saving services for the poor, then the socio-economic consequences of micro-credit lending have to be re-investigated, especially when they have negative impacts on poverty reduction.
- Incentives should be provided to the MFIs to promote savings and investment amongst the poor. Such an incentive could be a discount on bank charges for the MFIs with recurrent deposits.
- The amount the MFIs expend on bank charges possibly will be put to productive purposes, such as running activities of the MFIs, and financing new loans or individual income-generating activities.
- Microfinance in Namibia is usually interpreted by many as the micro lending industry only. Consciousness about the prospective benefits of other microfinance alternatives, such as village banking and SCAs, needs to be amplified.
- The MFIs should centre on women's economic empowerment as their main aim. This would have a constructive influence on the livelihoods of the entire household, as women have shown to spend more on their households. Therefore, when women are supported to improve their incomes, it improves the welfare of the entire household.
- Although credit and saving are vital in managing periodic or occasional risks, it is less capable in coping with repetitive risks. In such situations, micro insurance can be

extremely useful, if it is executed in combination with increased savings and building household assets.

The significance of starting MFIs cannot be overemphasized. Not only will the MFIs would provide profit and livelihood sustainability to the members; it could also have a noticeable impact on stimulating the entrepreneurship and the business skills of members. Accessible small loans on a consistent base would catch the attention of poor people, especially if it encompasses mentoring of and guidance on business skills and management. Group loans specifically are feasible choices not only because groups could be constituted by people who are familiar with each other, but it would also provide group pressure that would aid in declining the default rate.

5.5 RECOMMENDATIONS FOR FUTURE FURTHER RESEARCH

The study reveals that involvement in MFIs has a positive impact on poverty alleviation, enhancement of children's education, improvement of health, as well as the empowerment of women. However, despite the increase in the number of microfinance programmes and the vast amount of research conducted to date, there are areas for future research into the effectiveness of microfinance programmes that can be conducted, so that MFIs could enhance and diversify their livelihoods development efforts. Relevant areas for future research, thus, could include the following:

- Investigating the degree of MFIs' focus on outreach and sustainability, so that they can extend credit for emergencies and consumption, and are able to serve the poorest members of the society.
- The Government should adopt policies to ensure that through the monitoring and evaluation MFIs meet their social mission objectives.
- Livelihood diversification through MFIs leads to economic growth among the poorest people.
- Investigation of how MFIs can achieve their development objectives, while maintaining a balance between social and financial/commercial objectives in order to serve the poorest people in need of microfinance services.

- Financial sustainability, breath of outreach and depth of outreach are currently some main challenges facing most MFIs, and research need to be carried out on how best MFIs can overcome these challenges, while meeting the financial needs of the very poorest.

5.6 CONCLUSION

Microfinance is not a panacea, but an effective tool for poverty reduction and an important element for an effective poverty reduction strategy. Access and efficient provision of microcredit can enable the poor to smooth their consumption, manage their risks better, progressively build their assets, expand their micro enterprises, boost their income-earning capacity, and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and the adoption of better technology. Thus, microfinance helps to promote economic growth and development. Microfinance has received extensive acknowledgment as a strategy for poverty reduction and for economic empowerment. Microfinance is a way for fighting poverty, particularly in rural areas, where most of the world's poorest people live. Accessing small amounts of credit at reasonable interest rates gives poor people an opportunity to set up their own small business.

Many studies have shown that poor people are trustworthy, with higher repayment rates than conventional borrowers. When poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. Through microfinance, women have become active participants in economic activities. Furthermore, as a result of microfinance, women own assets, including land and housing, play a stronger role in decision-making, and take on positions of leadership in their communities. Therefore, microfinance products and services should be planned with poor people's vulnerability and poverty context in mind, and those initiatives that have a poverty reduction agenda should measure and assess their performance in terms of poverty reduction.

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APPENDIX 1

Individual interview questionnaire for the *Regional Steering Committee and SCA Committee Members*

I. INTRODUCTION

Good morning/afternoon. My name is Linus Milinga Simataa, a student from the University of the Western Cape, South Africa. I am carrying out a survey to assess the impact of microfinance on poverty levels in rural areas. *The purpose of this research is to improve the working of the SCAs.* The information that I am gathering is for academic purposes only and any responses you give will be totally confidential. It will only be used as part of my study. No names will appear in the report. I would be grateful if you could spare some time to answer a few questions. The interview will take about 50 minutes. You are welcome to contact my supervisor to confirm this information.

1. Name of the organization respondent is a member of:

2. Location of the organization respondent is a member of:

3. Date of interview:

4. Name of interviewer:

II. DEMOGRAPHIC INFORMATION

This section asks for some personal details which will help me to classify your answers.

5. Gender:

a. Male []

b. Female []

6. Age:

- a. 20 or under []
- b. 21-30 []
- c. 31-40 []
- d. 41-50 []
- e. 51-60 []
- f. 61+ []

7. Marital Status:

- a. Single []
- b. Married/living together []
- c. Divorced []
- d. Widowed []

8. Highest education level completed:

- a. none []
- b. Primary []
- c. Secondary []
- d. College/Technicon Diploma []
- e. University []
- f. Post graduate []



9. What is your position on the committee?

10. What are your committee responsibilities?

11. How long have you been a member of this committee?

12. Why did you join this organization?

III. BACKGROUND INFORMATION

1. What type of organization is the one you belong to?
2. Who started this organization?
3. What are the goals of this organization?
4. What type of services does this organization offer? E.g. savings, loan schemes, burial societies, insurance, medical services, etc.
5. For what reason was this organization started?
6. How long has this organization been operating?
7. How many members does this organization have at the moment?
8. Has the number of members changed? Has it increased or decreased since the start of the organization? Motivate your answer.
9. Does this organization have any linkages with other formal financial institutions? e.g. banks.
If yes, what kind of support services do they offer to this organization?
10. What type of training does this organization offer to members?
11. Who conducts the training courses offered to members?
12. Do the members provide any input in training in terms of traditional know-how and expertise?
13. How often do the committee members go for training?
14. Describe the type of training programme that the committee members have received?
15. Who conducts the training courses offered to committee members?
16. In your opinion, does the training help the organization to do its work better? Motivate your answer.
17. Did this organization receive any funding when it started? If yes, from whom?
18. Does this organization at present still receive funding from an outside donor? If YES, answer questions from 18.1 to 22. If NO, PROCEED to question 23.

- 18.1 What is the name of the donor?
- 18.2 How much is the donation?
- 18.3 How is the donation used in this organization?
- 18.4 How important is the outside funding to the working of this organization?
19. What are you doing to decrease the level of dependence on donors?
20. Do the donors set conditions for funding? If yes, what are these conditions?
21. Do the donors monitor this organization? If yes, explain how?
22. In your opinion, will this organization be able to function well without any outside funding in future? Motivate your answer.

IV. INCOME

23. In your opinion, do you think the income level of members increased after joining this organization? Motivate your answer.

V. PRODUCTIVE ASSETS

24. Why does this organization provide loans to members?
25. Are members of this organization involved in income-generating activities? e.g. small business (selling fish, meat, farming, etc).

If yes, describe the income-generating activities in which the members are involved.

26. Mention, if any, the productive assets (land, livestock, hoes, axe, plough, etc) that members managed to buy now compared to before they became members.
27. Explain how the assets bought by members have changed their lives.

VI. HEALTH AND NUTRITION

28. Do you think members of this organization have enough money to buy nutritious food since joining this organization compared to before they became members?
29. Do you think members are more able to pay for medical services now compared to before they became members?
30. Describe the general health of members after joining this organization.

VII. EDUCATION

31. Explain how this organization contributed (if any) to the educational performance of members' children who are attending schools.
32. Do you think members are more able to pay their children's fees regularly since joining this organization?

VIII. SOCIAL AND ECONOMIC STATUS OF WOMEN

33. How many women are on in this committee?
34. Do any of these women play a leading role in your community?
35. If so, please, describe these roles played by women.
36. Do you know of any women who were elected in the leadership position in your community?
37. Do you think women who are members of this organization have more control of their income?
38. How would you describe the living standard of women who are members of this organization?
39. Do you think the position of some women in this community has improved since this organization was started? Motivate your answer.

IX. CONSTRAINTS OF THE ORGANIZATION

40. What are the problems that this organization faces?
41. What are the major problems that prevent this organization from reaching many poor people?
42. What are the major problems that prevent this organization from reaching many women?
43. Describe in detail how these problems are solved or what efforts are made to solve them?
44. What are the achievements of this organization? Describe in detail.

Thank you for the time taken to give your responses which I am sure will be useful in helping to improve the working of this organization. Your help lead to this organization having more influence on the poor people of this community. It will also help me to improve my qualification.

I can assure you once again that the information you have given will be treated as absolutely confidential and will only be used as part of my study.

APPENDIX 2

Questionnaire schedule for *individual members of the savings and credit associations (SCAs)*

I. INTRODUCTION

Good morning/afternoon. My name is Linus Milinga Simataa, a student from the University of the Western Cape, South Africa. I am carrying out a survey to measure the impact of microfinance on poverty levels of the families in this community. *The purpose of this research is to hopefully improve the working of the SCAs.*

The information that I need is for academic purposes only. I will be very grateful if you could spare some time to answer a few questions. The interview will take about 50 minutes and any responses will be totally confidential. It will only be used as part of my study. No names will appear in the report.

You are welcome to contact my supervisor to confirm this information.

1. Name of the microfinance organization: -----
2. Location of the microfinance organization:-----
3. Date of interview:-----
4. Name of interviewer:-----

II. DEMOGRAPHIC INFORMATION

This section asks for some details on yourself which will help me classify your answers.

1. Gender:
 - a. Male []
 - b. Female []
2. Age:
 - a. 20 or under []
 - b. 21-30 []
 - c. 31-40 []
 - d. 41-49 []
 - e. 50 or over []

3. Marital Status:
- a. single []
 - b. Married []
 - c. Divorced []
 - d. Widowed []

4. Highest education level completed:
- a. none []
 - b. Primary []
 - c. Secondary []
 - d. College/Technicon Diploma []
 - e. University []
 - f. Post graduate []

5. Are you working at present?
- a. Yes []
 - b. No []

If no, please go to question 6.8



6. If yes, what type of work?
- a. Full time []
 - b. Part-time []
 - c. Casual []

7. If yes to question 6.6, do you get:
- a. Weekly wage []
 - b. Monthly salary []
 - c. Get only paid when you work []
 - d. Other []

Please explain:

8. If not working, do you get any income?

- a. Yes []
- b. No []

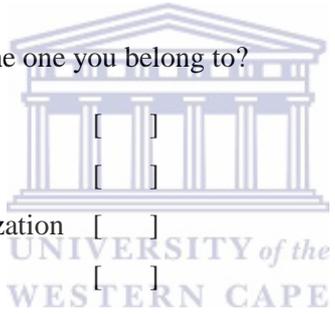
9. If yes, please specify source of income:

III. BACKGROUND INFORMATION ON MICROFINANCE SAVINGS AND CREDIT ASSOCIATIONS (SCAs)

1. Name of Microfinance Organization:

2. What type of organization is the one you belong to?

- a. Microfinance business []
- b. Credit Union []
- c. Community based organization []
- d. Village bank []
- e. Other []



Please specify

3. What kind of services do you receive from this organization?

- a. Credit []
- b. Savings []
- c. Training []

Specify

- d. Insurance []

Specify type

e. Other []

Please, describe in detail:

4. What do you expect from this organization?

5. How satisfied are you in general with the service you get from this organization?

- a. Very satisfy []
- b. Satisfy []
- c. Mixed feelings []
- d. Not satisfied []
- e. Very unsatisfied []



6. What makes you very *happy* about this organization?

7. What makes you very *unhappy* about this organization?

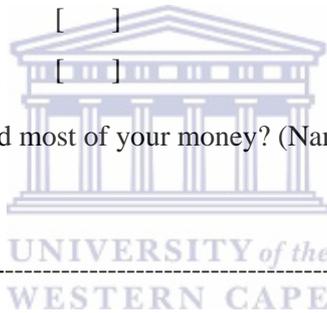
8. What, if any, service(s) would you like this organization to offer you?

IV. INCOME

These questions refer to the time before joining this organization:

1. What was your household's average income per month before joining this organization?

- a. Below N\$100 []
- b. N\$101 - N\$150 []
- c. N\$151 - 250 []
- d. N\$251 - N\$350 []
- e. N\$351 - 450 []
- f. N\$451 and above []



2. On what 4 things did you spend most of your money? (Name from most important to the least important)

- a. -----
- b. -----
- c. -----
- d. -----

3. Was your income enough to buy most of the important things for your household/ livelihood?

-
- a. Yes, most of the time []
 - b. Very seldom []
 - c. Never []

If no, please describe/explain how you managed to survive?

These Questions refer to the time after joining this organization:

4. Since joining this organization, did your personal income increase?

a. Yes []

b. No []

If yes, on average how much (per week/per month)

5. If yes to Question 4, what other things are you able to buy now (as a member of this organization), that you were not able to buy before?

6. Do you think that joining this organization has improved your life?

a. Yes []

b. No []

Please, explain your answer



7. Would you advise your family member(s) to join this organization?

a. Yes []

b. No []

Please, explain your answer

V. PRODUCTIVE ASSETS

1. Did you own a business *before* you became a member of this organization?

- a. Yes []
- b. No []

If yes, specify type of business

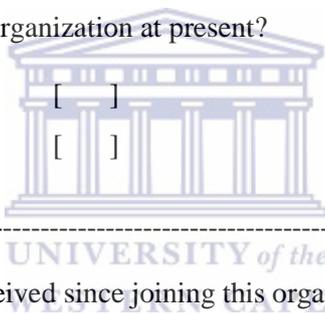
2. Financially, how successful was this business on average?

- a. Very Successful []
- b. Successful []
- c. Not successful at all []

3. Do you have a loan from this organization at present?

- a. Yes []
- b. No []

If yes, what is the amount: N\$-----



4. How many loans have you received since joining this organization?

5. Have you finished paying your loan you received from this organization?

- a. Yes []
- b. no []

If No, please explain why?

6. Do you use the loans from this organization for (mark all that apply?):

- a. Consumption, please explain []
- b. Start ups for business []
- c. Working capital []

d. Other

Specify

7. Do you have your own business now since you are a member of this organization?

a. yes []

b. no []

If yes, Please describe the business:

8. Which of the following assets do you *now* own that you did not own before you became a members of this organization?

a. livestock

[]

b. plough

[]

c. land

[]

d. house

[]

f. other



Please specify

9. Where did you get money to buy these assets?

10. Why have you decided to buy these assets?

11. Since you bought the assets, have your life changed for better?

a. Yes []

b. No []

c. Don't know []

Please, explain how?

VI. HEALTH AND NUTRITION

1. How many people are living in this household at present?

2. Before you became a member of this organization, was food often not available for everybody to eat well in the household?

- a. Yes
- b. No
- c. Don't know



Please explain:

3. Have some of your children suffered from diseases related to lack of nutritious food?

- a. Yes []
- b. No []
- c. Don't know []

If yes, specify

4. Please indicate whether you strongly agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD), or Undecided (U), to the following statements:

	SA	A	D	SD	U
4.1 The amount of food that is available for this household increased daily after joining this organization.					
4.2 Since joining this organization children in this household are now healthier compared to before you were a member.					
4.3 Since joining this organization, there is enough money to buy food for the whole family.					
4.4 Since joining this organization there is more/enough money to pay for medical care.					

VII. EDUCATION

1. Do you have children who are attending school?

- a. Yes
b. No



If yes, how many?

2. Before you become a member of this organization, were you able to pay their school fees *regularly*?

- a. Yes []
b. No []

If no, please explain why not?

3. Have any of your children dropped out of school?

- a. Yes []
b. No []

If yes, please explain why did this happen?

4. As a member of this organization, are you now able to pay the full school fees for your children regularly?

- a. Yes []
- b. No []

VIII. SOCIAL AND ECONOMIC STATUS OF WOMEN: SOCIAL STATUS OF WOMEN

1. Before the existence of this organization, were women involved in decision making in their household?

- a. Yes, always
- b. Yes, sometimes
- b. No, never
- c. Don't know



2. Before this organization was started were, women free to take part in any community project?

- a. Yes []
- b. No []
- c. Don't know []

If yes, please give an example of such project:

If no, what was the reason for this?

3. Before this organization was started, did you know any woman who was elected in a leadership position in your community?

a. Yes []

b. No []

4. Before this organization was started who usually used to make final decisions regarding community matters?

a. men []

b. women []

c. both men and women []

d. Other []

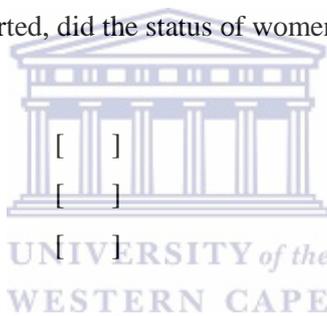
Please, specify

5. After this organization was started, did the status of women in this community changed when they joined this organization?

a. yes []

b. no []

c. unsure []



If yes, please, explain how it did change?

If yes, please explain why you do think it changed?

6. At what level you think did the status women change the most?

a. Community level []

b. Household level []

c. Both Community and Household []

d. Unsure []

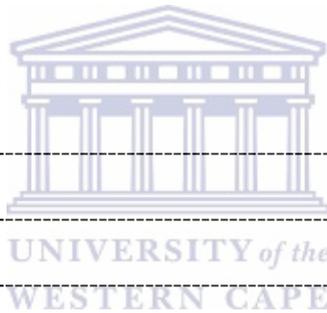
If you answered a, b or c, please, describe how it changed?

7. What changed in women's lives after they became members of the organization?

Was it: (Mark all that apply)

- a. freedom of movement []
- b. freedom to join any organization []
- c. involvement in decision making at household level []
- d. involvement in decision making at community level []
- e. Other []

Please specify



8. What type of training programme do women receive from this organization?

- a. Leadership programmes []
- b. Management and other business skills []
- c. Basic education and literacy programs []
- d. Employment training and promote entrepreneurship []
- e. Other []

Specify

9. Which of these programmes have you attended?

- Leadership programmes []
- Management and other business skills []
- Basic education and literacy programmes []
- Employment training and promote entrepreneur []

10. Which of the above training meant the most to you?

11. Please, explain why?

12. In your opinion, does the training help woman to improve their skills?

- a. yes []
- b. no []
- c. uncertain []



Please motivate your answer

IX. ECONOMIC STATUS OF WOMEN

1. Who used to have more control over household income before the existence of this organization?

- a. women []
- b. men []
- c. both women and men []
- e. Other []

Specify

2. Who used to make final decision on the selling and buying of household assets e.g. livestock and land?

- a. Men []
- b. Women []
- c. Both women and men []
- e. Other []

Specify

3. Who is currently having more control over household income after the creation of this organization?

- a. Women []
- b. Men []
- c. Both women and men []
- d. Other []



Specify

4. Currently, who makes the final decision regarding the household budget?

- a. Women []
- b. Men []
- c. Both women and men []
- d. Other []

Specify

5. Do some women in this area have their own businesses?

a. yes []

b. no []

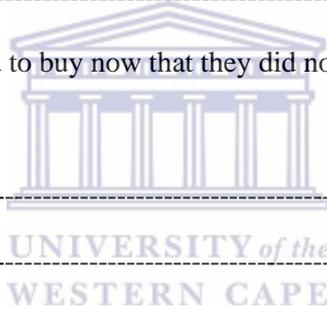
If yes, answer the questions 6 to 9, **if no, answer only questions from 7 to 9.**

6. What type of business?

6.1 Who controls the business, buying and selling activities?

6.2 Who makes the final decision as to how the money from the business must be spend?

7. What things can women afford to buy now that they did not able to buy before joining this organization?



8. In your opinion, do you think women's lives improved compared before they become members of this organization?

a. yes []

b. no []

d. don't know []

Please, explain your answer

9. Please indicate whether you, **strongly Agree (SA), Agree (A), Disagree (D), strongly Disagree (SD), or Undecided (U)**, that women in this community currently make the final decision in their household with regard to the following statements:

	SA	A	D	SD	U
9.1 Purchase of food					
9.2 Purchase of major household goods					
9.3 Paying household expenses					
9.4 Women to work outside home					
9.5 How to spend husband's income					

Thank you for the time taken to give your responses which I am sure will be useful in helping to improve the working of this organization. Your help will lead to this organization having more influence on the poor people of this community. It will also help me to improve my qualification. I can assure you once again that the information you have given will be treated as absolutely confidential and will only be used as part of my study.

