

**AN ASSESSMENT OF THE OUTREACH OF MICROFINANCE INSTITUTIONS TO
RURAL WOMEN IN ZAMBIA**

BY

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ACRONYMS AND ABBREVIATIONS

AMIZ	Association of Microfinance Institutions of Zambia
AMZ	Agora Microfinance Zambia
BoZ	Bank of Zambia
CETZAM	Christian Enterprise Trust of Zambia
EFC	Entrepreneurs Financial Centre
FAO	Food and Agricultural Organization
FINCA	Foundation for International Community Assistance
FNDP	Fifth National Development Plan
FSDP	Financial Sector Development Plan
IFAD	International Fund for Agricultural Development
ILO	International Labour Office
MBT	Micro-Bankers Trust
MFI	Microfinance Institution
NBFIs	Non-Bank Financial Institutions
SNDP	Sixth National Development Plan
TWENDE	Towards Women Economic Development
VFZ	Vision Fund Zambia
ZMW	Zambian Kwacha (exchange rate 1US\$= 6200)

ABSTRACT

AN ASSESSMENT OF THE OUTREACH OF MICROFINANCE INSTITUTIONS TO RURAL WOMEN IN ZAMBIA

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The objective of this study was to assess the outreach of microfinance institutions to rural women in Zambia in terms of, services provided, number of female and male clients, and availability of women tailored product designs and programme approaches. The findings can not only be used by microfinance institutions to give valuable business and social information to improve outreach and service to women but it can also give government an insight leading to the building of a gender perspective into agricultural policies and projects. The study assessed six (6) of major microfinance institutions providing services on the rural market. Key informant interviews at each of the institutions were carried out using a semi-structured interview guide.

Findings revealed that a large proportion of the rural population still remains to be served as none of the MFIs operated in Luapula and Muchinga provinces. Most of the institutions have taken affirmative action on lending to more women because they are generally poorer than men and more vulnerable. Results indicated that 63.5% of women were being served compared to 34.5% of men. However, despite the yearly increase in total client numbers, the proportion of women clients decreased, this can be attributed to the MFIs search for better financial returns. All of the respondent MFIs did not require the signature of a man for a woman to be able to apply for a loan. The study revealed that group loans were popular amongst women firstly because there is no collateral involved, and secondly because it makes them feel more secure in case of default. None of the reviewed institutions offered women tailored products or programme approaches, which is necessary in order to efficiently serve women.

Based on the research findings it is recommended that the proven business case for targeting female borrowers must be emphasized, while at the same time strengthening MFI strategies for reaching women. In addition, MFIs should tailor product specifications, such as loan amounts and repayment schedules to cater for the diverse needs of women clients. Women's groups should also be utilized to promote and strengthen women's networks and not merely as a means of lowering costs.

CHAPTER ONE: INTRODUCTION AND BACKGROUND

As of the 2010 census Zambia has a total population of 12,926,409.0 with 8,311,681.0 people living in rural areas. 6,383,371 of the rural population are poor (IFAD 2009). Poverty reduction is the core country objective, and this can be seen in the theme of the sixth national development plan which states 'Sustained economic growth and poverty reduction'. Most of the rural population depends on agriculture not only for livelihood but as an income source. Increasing productivity of small scale farmers is key to poverty reduction. Agriculture remains the priority sector in achieving sustainable economic growth and reducing poverty in Zambia. This is because the country has immense natural resources such as land, water and fertile soils to support agricultural activities. In addition, over 80 percent of the rural population depends on agriculture-related activities for their livelihood. The growth of this sector is, therefore, important for the attainment of the long-term vision for Zambia which is to become 'a prosperous middle income nation by 2030'. (SNDP 2011)

Low investment in the sector and low production and productivity especially among small-holder farmers are some of the serious challenges currently affecting the agricultural sector (SNDP 2011).

Microfinance is particularly relevant to increasing productivity of rural economy, especially in agriculture. It plays an important role in the development of agriculture, just as agriculture plays an important role in the development of the nation's economy. Financial services such as savings, credit and insurance provide opportunities for improving agricultural output, food security and economic vitality at the household, community and national levels (FAO 2011a). The agricultural sector is not performing to its potential in many developing countries mainly because, women who are often a crucial resource in agriculture and the rural economy, face constraints that reduce their productivity. Women in most of these countries do not have as much access to productive resources as men do.

As far as poverty reduction and efficiency is concerned, it is argued that women invest their income to nurture the wellbeing of their families— and this is supported by various empirical studies conducted all over the world: therefore one dollar loaned to a woman has greater development impact than one dollar loaned to a man (World Bank 2007). Women have been targeted for microfinance programs largely because they have proved to be more reliable clients than men. Targeting women may therefore improve the financial sustainability of rural finance institutions.

This benefit is in addition to the efficiency benefits to the rural economy of enabling over half the rural population to save and gain access to loans, insurance, and other services so that they can contribute to rural economic growth (World Bank 2006).

Rural women often manage complex households and pursue multiple livelihood strategies. Their activities typically include producing agricultural crops, tending animals, processing and preparing food, working for wages in agricultural or other rural enterprises, collecting fuel and water, engaging in trade and marketing, caring for family members and maintaining their homes. Many of these activities are not defined as “economically active employment” in national accounts but they are essential to the well-being of rural households. Women particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients. Women’s World Banking recognizes that women should be the face of microfinance, not just in rhetoric but in reality. Microfinance needs a universal analytic framework to measure gender performance if the industry is to move “beyond the numbers,” to consider not only how many women it serves, but how well and with what outcomes. The modern microfinance industry in Zambia is an emerging industry with the oldest microfinance institution (MFI) dating back to the Liberalization of the financial services industry 1992/1993 (Maimbo and Mavrotas, 2003).

According to Bank of Zambia there are currently 19 commercial banks, 33 MFIs and 74 other Non-Bank Financial Institutions (NBFIs) operating in Zambia. MFIs offer microfinance services such as, small loans and savings facilities as well as capacity building. Although expansion is much slower in rural areas, growth is evident along the line of rail and peri-urban areas of the country. The provision of financial services has been slow due to unsatisfactory infrastructure and absence of an appropriate regulatory and supervisory framework (BoZ, 2004). Major players that provide services on the rural market and or agricultural packages in terms of outreach and balance sheets include; Agora microfinance Zambia, Christian Enterprise Trust of Zambia, Entrepreneurs Financial Centre, Foundation for International Community Assistance, Micro-Bankers Trust and Vision Fund.

a) Agora Microfinance Zambia (AMZ)

AMZ was initiated by Agora Microfinance Partners LLP and Concern Worldwide as part of a joint initiative to provide access to finance for the poorest, through developing green field microfinance

operations in selected African countries. AMZ was established in 2010 and received its license as a Non-Deposit Taking Microfinance Institution by the Bank of Zambia in April 2011. AMZ specifically targets low income rural households, currently with three branches in two provinces: Mongu and Kaoma district (Western Province) and Mumbwa district (Central Province). The combined outreach from the branches at the end of 2012 was 10,579 clients. Current products include an End of Term Loan (with monthly interest payments) and Flexi 1 and Flexi 2 loan products (monthly Principal + interest payments), using a solidarity lending methodology. Additionally, an Emergency Loan is available for existing clients and a credit line is being tested with a small group of clients.

Agoras target clients are low income households engaged in livelihood activities linked to subsistence agriculture, fishing, small scale processing as well as retail trade and services. In general clients are located in rural districts with poor infrastructure facilities and utilities. (AGORA Annual Report 2012).

b) The Christian Enterprise Trust of Zambia (CETZAM)

CETZAM financial services Plc is a deposit taking Microfinance institution licensed by the Bank of Zambia. It was founded in 1995 as an independent Microfinance institution (MFI) with the aim of providing sustainable services to the economically disadvantaged of Zambia. It is registered as a company Plc by shares and is affiliated to opportunity international, a global coalition of microfinance institutions.

CETZAM provides Trust Bank loans, Solidarity group loans, salaried loans, individual and small to medium enterprise loans. In addition, for small scale farmers growing cash crops or engaged in market gardening it funds inputs, irrigation technologies etc. CETZAM is running a small scale farmers irrigation project. It partnered with Development Aid from People to People (DAPP) with the view of providing financial assistance to small scale farmers to enable them to purchase irrigation technology and water harvesting as well as training in agricultural and business skills conducted by DAPP. The specific objective of this irrigation project is the promotion and use of improved on-farm water resources management methods and low cost irrigation technologies for food security and poverty reduction by 5000 small scale farmers in Mkushi, Kapiri-Mposhi, Masaiti and Chingola districts.

CETZAM has branches in Lusaka, Livingstone, Ndola, Kitwe, Chingola, Chililabombwe, Kalulushi, Mufulira, Serenje, Kabwe, Mumbwa, Mkushi, Kapiri-Mposhi, Masaiti, Chibombo, Solwezi, Choma, Monze and Chirundu.

c) Entrepreneurs Financial Centre (EFC)

Entrepreneurs Financial Centre (EFC) was formerly known as Pulse Holdings Limited. It started as a CARE Zambia project in 1996 and later transformed into Entrepreneurs Financial Centre in 2011. EFC has branches in Lusaka, Kitwe, Ndola, Chipata.

d) FINCA- Zambia

FINCA stands for Foundation for International Community Assistance it is an international microfinance institution offering services and products to small scale businesses that have been turned down by traditional banks. FINCA pioneered the “village banking method” of credit delivery now used by hundreds of organizations worldwide. FINCA operates in 22 countries of Africa, Eurasia, the Middle East and South Asia and Latin America serving nearly 1.7 million clients. In the context of the Zambian microfinance market FINCA Zambia is a clear leader with the focus on the rural areas of the country. FINCA products and services include loans, savings, insurance, remittances and money transfers. FINCA does not simply extend to low-income families, it helps to create community run, and community focused credit and savings associations, particularly in areas untouched by the formal financial industry. FINCA provides basic training although it is not business training, it provides training that is focused on credit management and how to manage loans. FINCA does not train their clients themselves, but contracted out this service to ILO qualified local trainers.

FINCA Zambia started operations in 2001, with headquarters in Lusaka and branches in Lusaka, Central, Southern, Eastern and Copperbelt provinces.

e) Micro-Bankers Trust (MBT)

MBT was established in 1996 as a joint venture between the Zambian government and the European Union through the Ministry of Community Development and Social Services. MBT is both a wholesale and retail institution. MBT offers six products most of which are agriculture related, these include TWENDE, Individual loans, Dairy, Small livestock, Agricultural Equipment

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loans and Savings. MBT is working with a consortium of microfinance institutions and networks referred to as the Microfinance Consortium in Africa to build capacity to targeted rural women. The project was implemented over a period of 2 years and was being funded by the Danish International Development Agency. It aims at enabling rural women in the targeted areas to make appropriate use of accessed financial services both savings and credit facilities to improve their income securities (Nambeye 2010).

MBT has branches in Lusaka, Kabwe, Chongwe, Kafue, Monze, Mpika, Chingola, Luanshya, Petauke, Chipata, Mongu and Chibombo districts.

f) Vision Fund Zambia (VFZ)

Vision Fund Zambia is subsidiary of Vision Fund International. It is a non-profit organization. It was established in 2003 and has been providing small business loans to entrepreneurs running micro businesses, which provides greatly needed working capital to increase their business volume and consequently increase the income for their families. By focusing on women who constitute above 70% of the client base, they are able to complement World Vision efforts of improving the lives of the most poverty stricken communities in Zambia. Products provided by Vision Fund Zambia include Group loans, Individual loans and Savings.

VFZ operates in Lusaka, Chongwe, Chirundu, Choma, Chipata, Chingola, Sinazongwe, Monze, Kitwe, Solwezi, Mbala and Kasama

1.3 Definition of Key Terms

The following terms were defined for easy understanding; microfinance and outreach.

Microfinance “all financial services that are accessible to poor and low-income rural households and individuals” (IFAD 2009). Microfinance has expanded from just looking at micro credit to the inclusion of micro-savings, micro-insurance and micro bank transfers.

Microfinance is the provision of a broad range of financial services such as deposits, loans, savings, payment services, money transfers, and insurance to the poor and low-income households and their micro-enterprises who are excluded from the formal financial systems (Ledgerwood, 2002). A microfinance institution is a financial institution specializing in banking services for low income groups or individuals. A microfinance institution provides account services to small balance

accounts that would not normally be accepted by traditional banks, and offers transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions (Investorwords).

Outreach is the activity of providing services to populations who might otherwise have no access to those services (Wikipedia).

1.4 Statement of the Problem

About 64% of Zambians live below the poverty line with the majority of those living in rural areas. The main activity in these areas is agriculture therefore it is essential to put agriculture in the forefront in order to reduce poverty levels in Zambia. The world over agriculture has been recognized as an engine of growth and poverty reduction in countries where it is the main occupation of the poor. But the agricultural sector in many developing countries is underperforming, in part because women, who represent a crucial resource in agriculture and the rural economy through their roles as farmers, labourers and entrepreneurs, almost everywhere face more severe constraints than men in access to productive resources. Efforts by developing countries to achieve their goals for agricultural development, economic growth and food security will be strengthened and accelerated if they build on the contributions that women make and take steps to alleviate the constraints they face.

Microfinance has increasingly become vital in the fight against poverty. Microfinance financial services are tailored for poor people and are celebrated for the ability to reach out to women and enhance their welfare. Microfinance has a special focus on women. One reason is the high demand for micro services. This stems from the fact that women have restricted access to finance and control over land and hence are credit constrained. Commercial banks consider them less creditworthy than men. In addition their low levels of education prevent them from engaging with the lengthy and complex procedures usual requested by the formal banking sector.

Women play a fundamental role in agriculture but they are unable to realize their full potential due to several constraints in access to financial services. In Zambia women comprise about 75% of the agricultural work force. Evidence shows that credit markets are not gender-neutral. Legal barriers and cultural norms sometimes bar women from holding bank accounts or entering into financial

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Women play a fundamental role in agriculture but they are unable to realize their full potential due to several constraints in access to financial services. In Zambia women comprise about 75% of the agricultural work force. Evidence shows that credit markets are not gender-neutral. Legal barriers and cultural norms sometimes bar women from holding bank accounts or entering into financial

contracts in their own right. Women generally have less control over the types of fixed assets that are usually necessary as collateral for loans. Institutional discrimination by private and public lending institutions often either ration women out of the market or grant women loans that are smaller than those granted to men for similar activities (Fletschner, 2009). Women are farmers, workers and entrepreneurs, but almost everywhere they face more severe constraints than men in accessing productive resources, markets and services. This “gender gap hinders their productivity and reduces their contributions to the agriculture sector and to the achievement of broader economic and social development goals (FAO 2011a).

Given this state of affairs the assessment of the microfinance industry’s outreach to women in relation to both numbers and tailored approaches remains an important field for policy makers, researchers and development practitioners.

1.4 The Objective of the Study

To assess the outreach of microfinance institutions to rural women in Zambia.

1.4.1 Specific Objectives

To document services provided by MFIs to the rural population in Zambia.

To compare the levels of outreach among men and women.

To examine the availability of women tailored product designs and programme approaches.

1.5 Justification for the Study

Reduction in poverty levels depends mainly on the development of agriculture because many of the countrys poor live in rural areas that depend on agricultural activities. Microfinance provides resources to the poor population helping them increase their productivity. Women play a major role in agriculture and increasing the access that they have to microfinance can help the country to reduce poverty levels more effectively and efficiently. Closing the gender gap in agriculture would produce significant gains for society by increasing agricultural productivity, reducing poverty and hunger and promoting economic growth (FAO, 2011b).

This research seeks to highlight the level of outreach to rural women in the microfinance industry not only in the numbers but also to consider how well the women are served by the industry. The findings can not only be used by microfinance institutions to give valuable business and social

information to improve outreach and service to women but it can also give government an insight leading to the building of a gender perspective into agricultural policies and projects.

1.6 Scope of the Study

The research covered key informants of Agora Microfinance Zambia (AMZ), Christian Enterprise Trust of Zambia (CETZAM), Entrepreneurs Financial Centre (EFC), Foundation for International Community Assistance (FINCA), Micro- Bankers Trust (MBT) and Vision Fund Zambia (VFZ). This research is specifically meant to assess the microfinance industry's outreach to rural women in terms of geographic coverage, services provided, proportion of women clients, availability of women tailored products and approaches.

1.7 Organization of the Report

The remainder of this study is organized into three (3) chapters. The literature is reviewed in chapter two to provide theoretical and empirical framework for the study. Chapter three looks at the research methodology that was used for the study. It encompasses the description of the data collection procedure, analysis and limitations of the study. Study findings and interpretations are discussed in chapter four and the report concludes with study conclusions and recommendations in chapter five.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter reviews the relevance of microfinance with respect to poverty reduction and microfinance in Zambia. In addition, it looks at women in agriculture and women in microfinance. It finally reviews previous studies on the assessment of the Zambian microfinance industry's outreach to women. The positive and negative results of previous study findings and existing gaps are identified. Finally, it highlights the conceptual framework.

2.2 Microfinance in Zambia

A large proportion of the Zambian population are still excluded from the formal banking sector and still do not have access to financial services. The concentration of financial institutions in urban areas has been attributed to the fact that Zambia's rural environment is not particularly conducive to the establishment of viable businesses. One of the main criteria used by banks in determining whether to establish a branch in a particular locality is the economic activity and level of business. The main form of economic activity in rural areas is peasant farming. In addition, the costs of operation in rural areas are quite high attributing to the poor infrastructure. Most rural areas have do not have electricity supply. The telecommunications system is poorly developed, making it difficult to communicate.

The above factors have led to significant gaps in the provision of financial services to this population. This has led to a significant growth in the number of MFIs. The 2005 FinScope Survey conducted under the Financial Sector Development Plan (FSDP) confirmed the low levels of access to microfinance in Zambia. According to the survey only a third of Zambia's adult population was reported to have had access to a financial service or product. Less than 15 percent of adult Zambian's were reported to have access to commercial banks. Further only 11.6 percent of women were banked compared to 17.5 percent of banked men. According to Bank of Zambia there are currently 19 commercial banks, 33 MFIs and 74 other Non-Bank Financial Institutions (NBFIs) operating in Zambia.

2.3 Microfinance and Poverty Reduction

Poverty levels, agricultural productivity and food security can be greatly improved by rural access to financial services. Presence of financial services helps the rural economy to grow and reduce the poverty. Access to working capital can substantially accelerate the adaptation of modern agricultural technologies and production and thereby improving the ability of the rural sector to meet the subsistence need of the poor. It also helps to produce the surplus in primary and intermediary products require for urban consumption, export, and avoid environmental degradation (World Bank, 2003). Khandker (2005) did a study on Microfinance and Poverty in Bangladesh and found positive effects on poverty alleviation rates. He found that between 1991/92 and 1998/99, moderate poverty in all villages declined by 17%. Among program participants who had been members since 1991/92, their poverty rates declined by more than 20%. Khandker (2005) estimates that more than half of this reduction is directly attributable to microfinance, and finds the impact to be greater for extreme poverty than moderate poverty.

2.4 Women in Agriculture

Women make essential contributions to the agricultural and rural economies in all developing countries. Their roles vary considerably between and within regions and are changing rapidly in many parts of the world, where economic and social forces are transforming the agricultural sector. Rural women often manage complex households and pursue multiple livelihood strategies. Their activities typically include producing agricultural crops, tending animals, processing and preparing food, working for wages in agricultural or other rural enterprises, collecting fuel and water, engaging in trade and marketing, caring for family members and maintaining their homes. Many of these activities are not defined as “economically active employment” in national accounts but they are essential to the well-being of rural households (Role of women in agriculture 2011).

Based on the latest internationally comparable data, women comprise an average of 43 percent of the agricultural labour force of developing countries. The female share of the agricultural labour force ranges from about 20 percent in Latin America to almost 50 percent in Eastern and Southeastern Asia and sub-Saharan Africa. Women in sub-Saharan Africa have relatively high overall labour-force participation rates and the highest average agricultural labour-force participation rates in the world (FAO, 2011a). According to a GengerinAg publication, Zambian women account for over 75% of the agricultural labour force.

2.5 Women and Microfinance

Microfinance, financial services tailored for poor people, has been celebrated for its ability to reach out to women and enhance their welfare. From the starting point of experimental schemes in Asia and Latin America in the 1970's microfinance has been above all a matter of women. Even today, the gender argument continues to be at the forefront (D'Espallier, Guerin, Mersland, 2009).

Evidence shows that credit markets are not gender-neutral. Legal barriers and cultural norms sometimes bar women from holding bank accounts or entering into financial contracts in their own right. Women generally have less control over the types of fixed assets that are usually necessary as collateral for loans. Institutional discrimination by private and public lending institutions often either ration women out of the market or grant women loans that are smaller than those granted to men for similar activities (Fletschner, 2009; World Bank, FAO and IFAD, 2009). Women's access to formal financial services remains limited. The high rates of interest charged by the commercial banking sector, its preference for well tried and tested borrowers and its focus on short-term lending have led to a reduction of credit for small-farm and off-farm enterprises. Poor and rural sections of the population have been largely bypassed by formal credit. In such a context, microfinance appeared to offer an ideal solution to the problem of outreach to the poor (Johnson, 1998).

Women's use of financial services has increased significantly over the past two decades, but considering the types of services they receive and the broader spectrum of rural finance as a whole, it is clear that access to financial services is still unequal. The extent to which microfinance programs are directed at women varies among countries, and the perception that such programs focus largely on women is not true everywhere (for example, Pakistan). In most financial institutions, women generally receive smaller loans than men, even for the same activities. Women are mainly involved in microfinance programs with small savings and credit services and some types of micro insurance. Their participation relative to men decreases as financial organizations grow and introduce services for better-off clients, often as a way to improve financial viability (World Bank; IFAD; FAO, 2009).

Although the positive impact of microfinance on women's empowerment is evident, microfinance providers must also be cautious to avoid possible negative outcomes. Studies have shown that

women sometimes have little or no control over their loan, with the husband or male family member making all decisions (Goetz A and SenGupta R. 1996). Promoting women's access to microfinance is not just about having more women than men and giving women higher loan amounts. It is essential to have additional services tailored to women in order to improve efficiency. Non-financial services with conditionalities to credit access, such as carefully designed adult literacy and business training programmes, can facilitate women's access to better jobs and income-generating opportunities and are perhaps the most effective means of promoting gender equality (ILO, 2008).

Women's World Banking recognizes that women should be the face of microfinance, not just in rhetoric but in reality. Microfinance needs a universal analytic framework to measure gender performance if the industry is to move "beyond the numbers," to consider not only how many women it serves, but how well and with what outcomes. Recognizing a lack of information beyond basic measures, Women's World Banking set out to develop an evaluation framework that defines the key metrics that will allow microfinance providers to measure how effectively they are serving women, both internally and externally. The indicators of the gender performance can be organized within several areas:

- Client-Centric Focus
- Institutional Focus
- Financial and Social Outcomes

Gender and Rural Microfinance: Reaching and Empowering Women a publication by International Fund for Agricultural Development (IFAD) provides a decision gender checklist for practitioners. The guide is intended as an overview of gender issues for rural finance practitioners. It highlights the questions that need to be asked and addressed in gender mainstreaming. It will also be useful to gender experts wishing to increase their understanding of specific gender issues in rural finance. The checklist can also be used as part of a gender audit. it is divided into;

- Organizational gender mainstreaming checklist
- Product design checklist
- Checklist for groups, participation and empowerment-building,
- Gender impact checklist

2.6 Previous studies

In 2004, HIVOs, a Dutch aid organization, commissioned gender audits with two microfinance institutions in Zambia. These are Christian Enterprise Trust of Zambia (CETZAM) and PRIDE Zambia. Both Audits were done on the following understanding as articulated in the final reports. Gender audits of MFIs have the objective to contribute to the improvement of the MFIs performance, by ensuring that services are equally attractive for men and women, considering the different needs, priorities and characteristics that women and men have. Moreover, the gender audit aims to contribute to improving the internal organization by recommending adaptations that could create a better working environment for both sexes (Athmer 2004). Some of the findings of both audits were as follows:

Concerning CETZAM, management did not deliberately monitor realization of targeted numbers of female clients in their outreach. In addition, CETZAM needed to recognize the position of women in the context of the family and levels of control of loan, assets, power and triple roles of mother, spouse and entrepreneur. CETZAM needed to find new ways of supporting its women clients to overcome these obstacles.

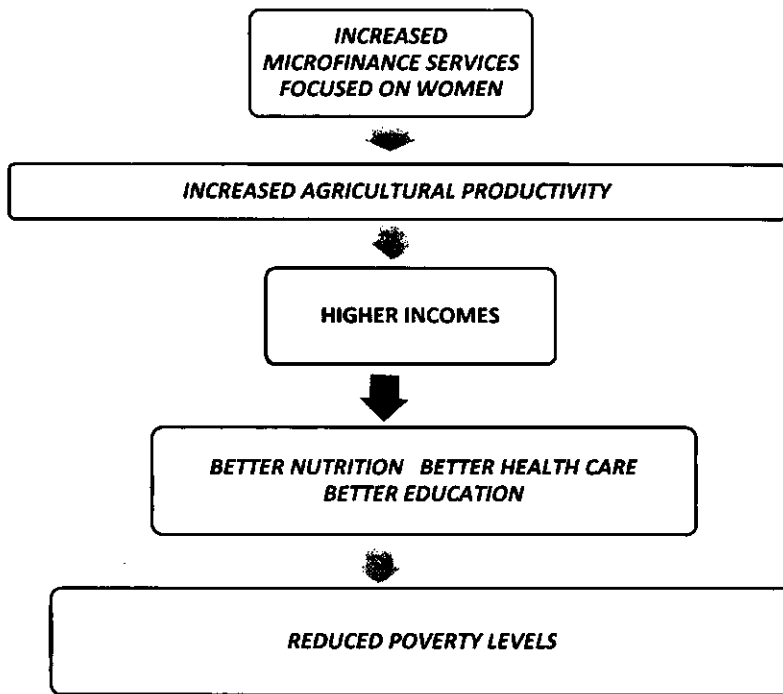
Concerning PRIDE, the collateral requirement was the most disadvantageous for women, as well as the question asked to women if they informed the husband. Existing inequalities were reinforced, as married women do not control the household assets and have to ask permission. In addition, for men and women involved in businesses, spending a lot of time in meetings is problematic. Due to women's multiple responsibilities her time tends to be scarcer (Muntalima 2006).

2.7 Conceptual Framework

Women, who represent a crucial resource in agriculture and the rural economy through their roles as farmers, labourers and entrepreneurs, almost everywhere face more severe constraints than men in access to productive resources. The conceptual framework is an adaptation of the poverty alleviation paradigm explained by Mayoux (2000). In this paradigm women are targeted mainly as the poorest of the poor segment of the population and also the ones who are directly responsible for family wellbeing. The assumption here is that by increasing women's access to credit, and

thereby increasing their income, a positive impact on household income will occur. This will inevitably lead to leads to higher investments in human capital in the form of children's health, nutrition and education.

FIGURE 1: Conceptual Framework for Women Centered Microfinance and Poverty Reduction



Developed by the Researcher (2014)

Women in rural areas make over seventy percent (70%) of the agricultural work force in Zambia. Based on Figure 2, an increase in the outreach of MFIs to rural women in terms of both numbers and provision of women tailored products and approaches will translate into agricultural productivity increases as access to credit is expected to improve their farming technologies and input use. This will lead to higher incomes in the rural population that translates into a higher standard of living in terms of education, health and nutrition. This essentially means a reduction in poverty levels.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methods and procedures used by the study in order to achieve the stated objectives. It gives information on the study site, research design, data collection and analysis and finally highlights study limitations.

3.2 Research Location

The study was conducted in Zambia. The main focus was on the members of the Association of Microfinance Institutions in Zambia, whose members perform various activities in various areas of the country.

3.3 Research Population

A total of six (6) MFIs were targeted who are all members of the Association of Microfinance Institutions in Zambia (AMIZ). Namely; Agora Microfinance Zambia, Christian Enterprise Trust Zambia, Entrepreneurs Financial Centre, Foundation for International Community Assistance, Micro-Bankers Trust and Vision Fund Zambia. The chosen institutions are some of the major institutions offering agricultural products and/or services on the rural market. Furthermore, the research focused on a fairly small sample size to facilitate meaningful depth of analysis in the light of time and resource constraints.

3.4 Data Collection

The research used both primary and secondary techniques. Secondary data included the use of reports, articles, journals, research articles, books, papers and websites. Primary data was collected through semi-structured interviews conducted from purposively selected informants at each of the institutions.

An interview guide was used to collect data from key informants. This guide was comprehensive enough to cover key information areas needed in the study. The key informants were people with vast knowledge of the institution and were better placed to provide vital information.

3.5 Data Analysis

A descriptive research design was used for this research. Quantitative data was analyzed through cross tabulation of relevant variables, bar charts and pie charts. Qualitative data was analyzed using a descriptive analytical narrative in relation to the various themes relevant to the study.

3.6 Limitations of the Study

The major limitation was reluctance of the MFIs to make available some of the relevant information. This led to making several trips some of which were unfruitful and proved to be very costly in terms of time and finance.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings. It begins by comparing the current levels of women clients to those of men, followed by the trends in these client numbers over the past 5 years. Furthermore, the chapter reveals how well women are being served through approaches and product designs.

4.2 Coverage of the Microfinance Institutions

The six (6) MFIs covered eight of Zambia's ten provinces. Five of the six institutions operated in Central province and only one was found to be operating in Western province. However none of the MFIs operated in Luapula and Muchinga provinces.

The study revealed that Southern province had the widest coverage with CETZAM operating in 4 towns, FINCA in 4 towns, Vision Fund in 4 towns and MBT in 1 town. Despite being the major providers on the rural market, the study showed that the MFIs had a relatively strong urban presence.

TABLE 1: Geographic Coverage of the Microfinance Institutions.

	LUSAKA	C/BELT	CNT	SOU	ESTRN	N/W	WSTN	NOR	LUA	MCH
AGORA			X				X			
CETZAM	X	X	X	X	X					
EFC	X	X								
FINCA	X	X	X	X	X					
MBT	X	X	X	X	X		X	X		
VFZ			X	X	X	X		X		

Source: Own survey data (2014)

X- Presence of MFI in the province.

4.3 Types of Products Offered.

a) Agora Microfinance Zambia

Products included an End of Term Loan (with monthly interest payments) and Flexi 1 and Flexi 2 loan products (monthly Principal + interest payments), using a solidarity lending methodology. Additionally an Emergency Loan was available for existing clients and a credit line was being tested with a small group of clients. The End of term loan was aimed at households with seasonal cash flows and was designed to stimulate agribusiness activities. The Flexi 1 loan was aimed at households with more stable businesses and flexible cash flows. The Flexi 2 loan was only available to clients that have graduated from Flexi 1.

b) Christian Enterprise Trust of Zambia

CETZAM provided Trust Bank loans, Solidarity group loans, salaried loans, individual and small to medium enterprise loans. In addition, for small scale farmers growing cash crops or engaged in market gardening it funded inputs, irrigation technologies etc. CETZAM was running a small scale farmers irrigation project. It partnered with Development Aid from People to People (DAPP) with the view of providing financial assistance to small scale farmers to enable them to purchase irrigation technology and water harvesting as well as training in agricultural and business skills conducted by DAPP.

c) Entrepreneurs Financial Centre

EFC provided both loan and saving services. Types of loans included Easy Pay, Home Improvement Loans and Business loans. Types of savings included; Naine Micro Savers Account that offered savings to low income micro entrepreneurs. Regular Savings Account with a minimum balance ZMW20 and interest rate of 2% per annum. Premium Savings Account with a minimum balance of ZMW200 and 6% interest rate per annum. Term Deposit Certificate with a minimum balance of ZMW2000. The Regular Savings Account, Premium Savings Account and Term Deposit Certificate could all be used as security for a loan.

d) Foundation for International Community Assistance, Zambia

FINCA products and services include individual loans, Village Banking Loans, Savings and insurance.

e) Micro-Bankers Trust

MBT is both a wholesale and retail institution. MBT offered six products most of which are agriculture related, these included TWENDE, Individual loans, Dairy, Small livestock, Agricultural Equipment loans and Savings. TWENDE clients are women's groups who run small businesses. Loan amounts varied from ZMW 500 to ZMW5000. Dairy Loans are given to both individuals and cooperatives. Loan amounts ranged from ZMW 20000 to ZMW 50000. Agricultural equipment Loans to individual men and women. Loan amounts ranged from ZMW 2000 to ZMW 50000. Small livestock Loans are given to individual men and women and the maximum loan amount was ZMW 20000.

f) Vision Fund Zambia

Products provided by Vision Fund Zambia include Group loans, Individual loans and Savings.

4.4 Client Levels by Gender

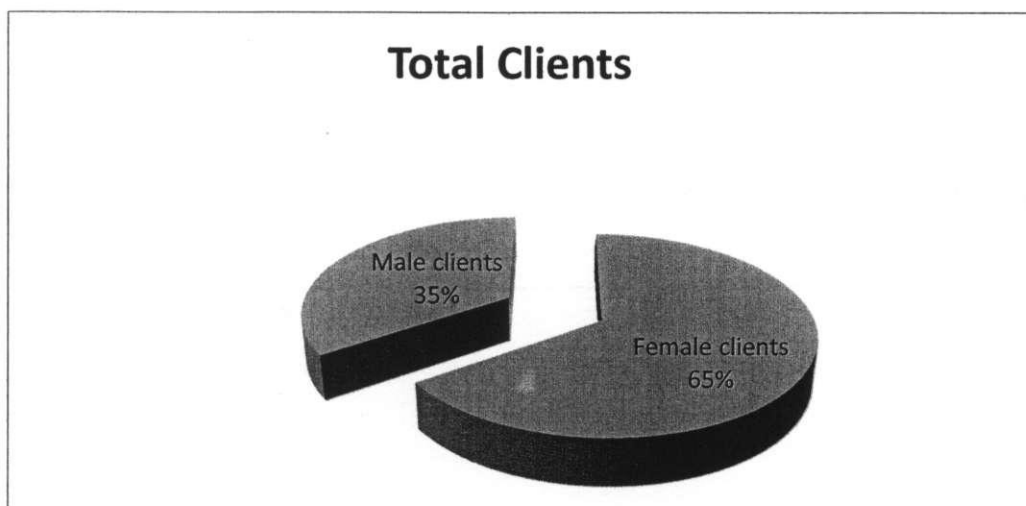
All institutions evidently provided microcredit as their most important service facility. All the MFIs provided services to both male and female clients'. The study revealed that, for 4 out of 6 institutions had a larger percentage of female except EFC which had more male clients. Most of the institutions have taken affirmative action on lending to more women because they are generally poorer than men and more vulnerable. FINCA also noted that most of the victims of severe poverty are children and the most direct way to improve child survival is to give mothers the means to do so. This was evident in the female client numbers at FINCA, Vision Fund and MBT which were relatively high at 70%, 80% and 98% respectively. Vision Fund had a fixed policy of serving 80% women clients. For group loans this meant an average of 8 women in each group. The percent of female clients from the total clients being served by all the 6 institutions was found to be 65.3%.

Table 2: Number of Clients by Gender

INSTITUTION	FEMALE CLIENTS	MALE CLIENTS	TOTAL CLIENTS	PERCENT FEMALE CLIENTS
AGORA	4,540	4,290	8,830	51.4%
EFC	9,971	13,769	23,740	42.0%
FINCA	35,742	15,318	51,060	70.0%
MBT	10,078	208	10,286	97.9%
VISION FUND	12,680	3,170	15,850	80.0%
CETZAM	5,202	4,801	10,003	52.0%
TOTAL	78,213	41,556	119,769	65.3%

Source: Own survey data (2014)

Figure 2: Percentage of Clients by Gender



Source: Own survey data (2014)

4.5 Trends

The research observed growth in the client base of most of the institutions from 2010 to 2014. However, MBT recorded a drop in client numbers from 2012 to 2014. This drop was attributed to the stop in disbursement of loans during this period. AGORA started operations in 2011. Despite the increase in total clients from the sample MFIs, the percent of female clients reduced each year

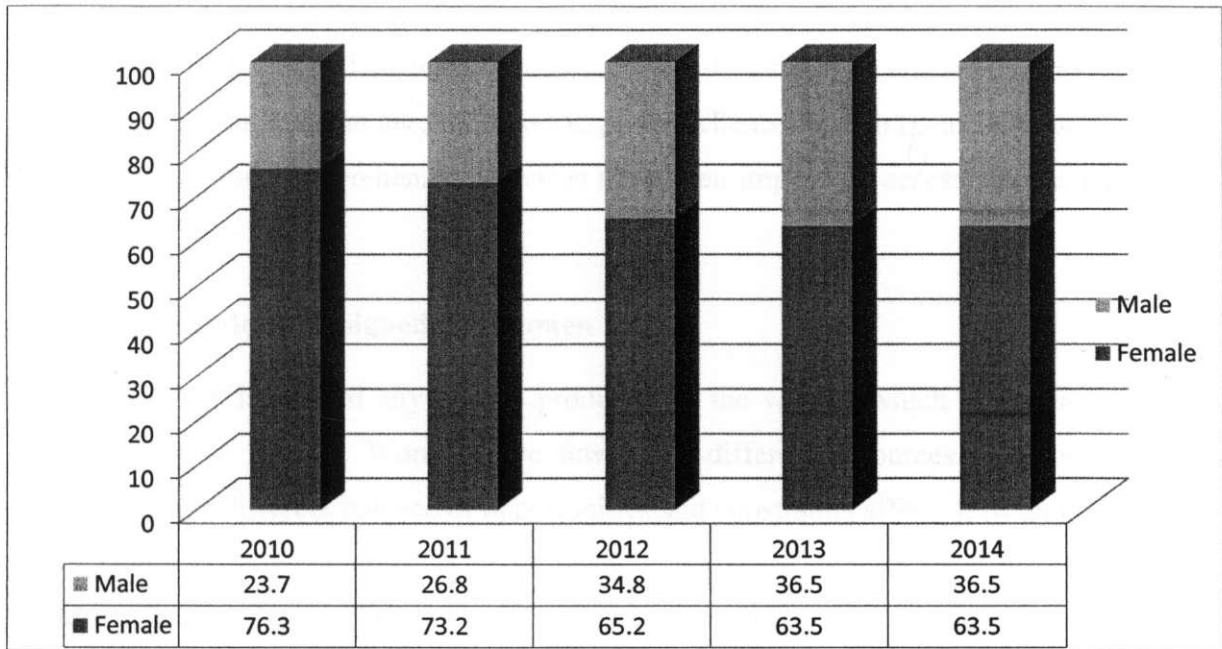
until 2014 when there was a marginal increase. This entails a negative direction in the outreach to women.

TABLE 3: Five year Trend in Client numbers by Gender

CLIENTS										
YEAR	2010		2011		2012		2013		2014	
INSTITUTION	F	M	F	M	F	M	F	M	F	M
AGORA			2,905	2,019	5,184	5,395	4,900	4,708	4,540	4,540
CETZAM	4,193	2,257	4,814	3,210	5,435	5,016	4,963	4,401	5,202	4,401
EFC	356	1,424	1,384	4,154	6,060	8,033	8,134	12,633	9,971	12,633
FINCA	15,227	6,526	18,504	8,708	21,197	12,449	25,127	13,709	35,742	13,709
MBT	14,378	142	16,265	192	17,515	274	14,314	282	10,078	10,078
VISION FUND	8,850	2,950	8,550	2,850	6,470	1,617	8,410	2,103	12,680	2,103
TOTAL	43,004	13,299	33,918	12,425	61,501	32,784	65,848	37,836	78,213	37,836

Source: Own survey data (2014)

FIGURE 3: Five Year Trend in Client Percent by Gender



Source: Own data (2014)

4.6 Application and Collateral Requirements

All of the respondent MFIs do not require the signature of a man for a woman to be able to apply for a loan. Women applying for a loan were allowed to do so without permission from their husbands. This was essential because this requirement would reinforce existing gender inequalities.

Most MFIs have group lending methods. Group loans were popular amongst women firstly because there is no collateral involved, and secondly because it makes them feel more secure in case of default. Women were allowed access to both group and individual loans in 4 of the 6 institutions, however, AGORA only offered group loans and EFC only offered individual loans. Collateral requirements did not allow women owned assets such as jewelry, and kitchen utensils. Household goods were only accepted by MBT with the other institutions only accepting land, buildings and other valuable assets.

4.7 Financial Literacy

The study revealed that financial literacy was carried out by MBT, CETZAM, Vision Fund and FINCA. However financial literacy at FINCA was the most intensive with the one that was

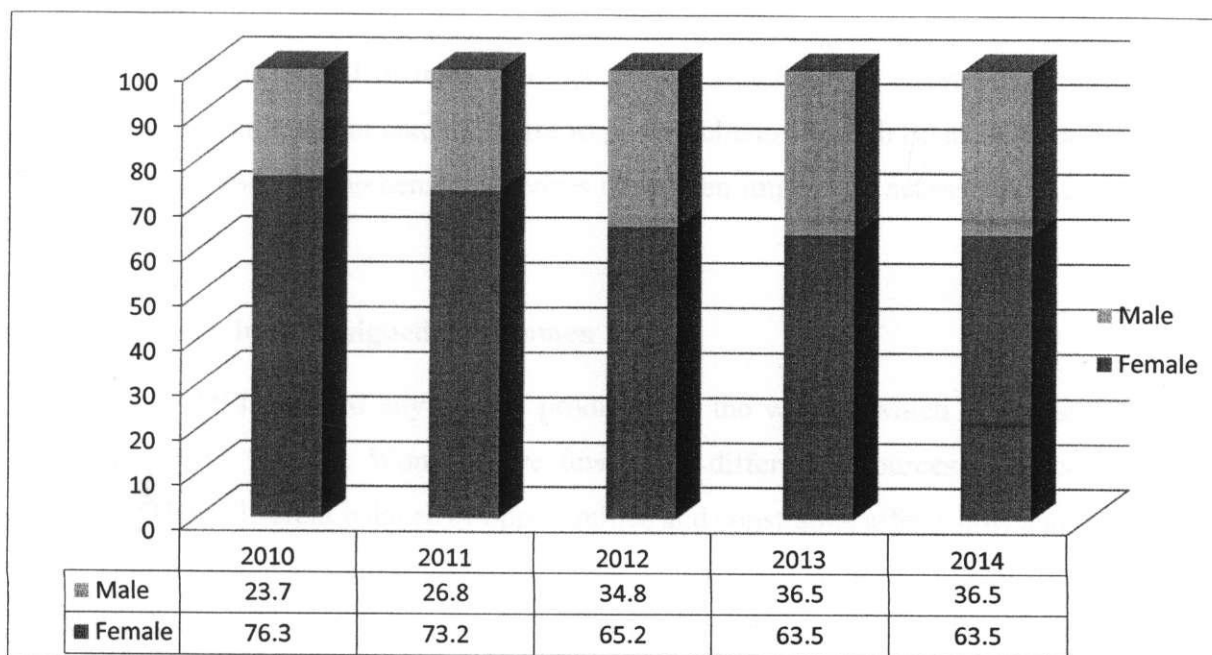
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EFC	356	1,424	1,384	4,154	6,060	8,033	8,134	12,633	9,971	13,769
FINCA	15,227	6,526	18,504	8,708	21,197	12,449	25,127	13,709	35,742	15,318
MBT	14,378	142	16,265	192	17,515	274	14,314	282	10,078	208
VISION FUND	8,850	2,950	8,550	2,850	6,470	1,617	8,410	2,103	12,680	3,170
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provided at MBT being basic financial training. The institutions recognized that, women generally have lower literacy levels relative to men, and they are less confident asking questions or demanding clarification. This means women may be less likely to understand product terms and conditions. Institutions that take measures to protect clients through financial education programs are providing more comprehensive services to women improving access and increasing product uptake.

4.8 Special Products Designed for Women

None of the MFIs offered any special products for the women which is necessary in order to efficiently serve women. Women have fewer and different resources for accessing financial products. Their different balance of opportunities and constraints affects how and how much they benefit from various products. Women's financial needs are complex, in part because of the way gender roles are defined in society. Women need a variety of financial products at different lifecycle milestones: childhood, education, marriage, motherhood, children's needs (education, weddings), widowhood/divorce, and retirement. Any institution focused on excellent service to women should develop diverse products to meet those lifecycle needs. MFIs should therefore tailor product specifications, such as loan amounts and repayment schedules, to diverse client needs

4.9 Maintenance of Control

No institution can serve its clients well without first knowing who is actually using the product. It is important for institutions to monitor whether its women clients control the loans taken out under their names or whether they are handing over the loans to a husband or other family member. MBT and Vision Fund had a verification exercise after a week of loan disbursement to check on whether the loan is being used for the intended purpose.

CHAPTER FIVE: RESEARCH CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusion on the state of the Zambian microfinance industry's outreach to rural women and recommendations on how microfinance institutions can best improve their outreach, based on the study findings and interpretations.

5.2 Conclusion

Based on the research findings, the following were the conclusions;

- I. Lack of coverage in Luapula and Muchinga province means a large rural population still remains to be served.
- II. The major product offered by all the microfinance institutions reviewed was microcredit. Some of the institutions also offered savings services. However, the research found that none of the institutions were offering insurance or remittance transfer services. Rural women also need insurance to protect themselves from uncertainty. In the absence of uncertainty the poor women will avoid risky but potentially economic activities. They will thus enter informal insurance arrangements
- III. The affirmative action taken by most of the institutions on women is a great step. Results indicated that 63.5% of women were being served compared to 34.5% of men. Though this number is more than half there is still more to be done as women account for above 70% of the poor population.
- IV. In addition, as the client numbers at each of the institutions grew the percentage of women clients reduced leading to a total reduction in the percent of women clients. This indicates a negative direction in the outreach to women that is expected to continue. This trend can be attributed to the MFIs search for better financial returns.
- V. Furthermore, none of the MFIs had tailored products to needs of women. Women's financial needs are complex, in part because of the way gender roles are defined in society.

Any institution focused on excellent service to women should develop diverse products to meet those lifecycle needs. In this regard there is still a lot to be done.

5.3 Recommendations

Based on the research findings, the following conclusions were made;

- I. Given the declining proportion of women clients over the years there is need for other institutions to put up fixed policies on the proportion of women clients to be served like Vision Fund has done. In order to reverse this trend, the proven business case for targeting female borrowers must be emphasized, while at the same time strengthening MFI strategies for reaching women.
- II. In addition to credit and savings MFIs should consider offering insurance and remittance services.
- III. The needs of women are different from those of men. To efficiently serve MFIs should therefore tailor product specifications, such as loan amounts and repayment schedules, to diverse client needs.
- IV. Women are generally less literate than men. Financial literacy should be offered at every microfinance institution as part of the package so that so that women are better able to understand loan terms and conditions and gain valuable financial skills.
- V. MFI women's groups should be utilized to promote and strengthen women's networks and not merely as a means of lowering costs. Women's groups are useful vehicles for non-financial service delivery, such as literacy and health programmes. Groups also encourage linkages between women and other active community associations and the larger civil society network as a whole.

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APPENDICES

APPENDIX 1: Interview Guide for Microfinance Institutions

Part one

1) What is your geographic area(s) of Operation?

2) Do you disaggregate data by gender?

3) *What is your current number of clients?*

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Part one

- 1) What is your geographic area(s) of Operation?
- 2) Do you disaggregate data by gender?
- 3) What is your current number of clients?
 - Female clients
 - Male clients
- 4) What has been the trend in the number clients by gender in the last 5 years?
 - Total number of female clients
 - Total number of male clients
 - New female clients
 - New male clients

Part two

- 1) What is your objective for working with women clients?
- 2) Do application procedures enable women to apply without a man's signature?
- 3) Do collateral requirements accept women-owned assets such as jewelry and utensils?
- 4) Do groups provide the only mechanism through which women can access credit? Or do women also have access to individual loans?
- 5) Are there mechanisms to enable women to graduate to all types of products, e.g. from small group-based to larger individual loans?
- 6) Do you have any specific products or services that have been developed to meet the specific needs of women?
- 7) Does the organization engage in financial literacy training?
- 8) In delivering your financial services to female clients, how do you ensure that they maintain control over the use of capital and the income from their enterprises and are not forced to, or do not surrender the loan to a male family member?
- 9) Does the organization promote and facilitate access to other organizations working on gender equality and women's empowerment, e.g. women's legal aid, reproductive health services, women's adult literacy and further education.