

**Effects of salary-based microfinance lending on Public Service
Workers in selected Government Ministries of Lusaka City**

Submitted

By

Sydney Tembo

529001226

**A Dissertation submitted to the University of Zambia in partial
fulfilment for the award of the Master of Arts degree in
Development Studies**

2014

Declaration

I certify that the dissertation I have presented for examination to the University of Zambia in partial fulfilment of the requirements for the award of a degree of Master of Arts in Development Studies is solely my own work and that it has not previously been submitted for a degree, diploma or other qualification at this or another University.

Name: Sydney Tembo

Computer Number: 529001226

Sign: -----

Date: -----

Certificate of Approval

This dissertation of Sydney Tembo has been approved as fulfilling the requirements or partial fulfilment of the requirements for the award of the Master of Arts degree in Development by the University of Zambia.

Supervisor: Mr. Donald Chanda

Sign: -----

Date: -----

Department of Development Studies

Abstract

This dissertation sought to assess the effects of salary-based microfinance lending on public service workers (PSWs) in selected Government Ministries in the Zambian capital city, Lusaka. The study employed both qualitative and quantitative techniques to obtain data on the effects of salary-based microfinance lending on public service workers. The data collected was analysed using Statistical Package for Social Scientists (SPSS) and content analysis for secondary data.

The major finding of the study was that PSWs had experienced serious problems of indebtedness due to their continuous interactions with microfinance Institutions (MFIs). The study further revealed that loans from MFIs attracted an interest rate of over 100 per cent at the end of the repayment period and that MFIs did not play a significant role in poverty reduction amongst low income workers. The study concludes that, while salary-based Microfinance lending is ideal for solving urgent problems, it is not an effective tool for poverty reduction as it forces beneficiaries into severe indebtedness thus worsening their poverty levels.

Amongst the major recommendations made in the study were the following:

- i. Need for policy intervention on the supervision and regulation of MFIs
- ii. Establishment of a mechanism for effective financial provision to the PSWs. This could be in the form of a revolving fund or microcredit bank for PSWs.
- iii. All MFIs should be compelled to explain to their clients all the conditions associated with the loans they offer.

Dedication

I dedicate this dissertation to my family and all the Public Service Workers who participated in the study.

Acknowledgement

I would like to express my appreciation to a number of individuals who provided invaluable assistance to me during the time of preparing this dissertation. Firstly, I would like to thank God the almighty who made everything possible for me during my studies.

My profound gratitude goes to my supervisor Mr. Donald Chanda for his guidance, skilful, and valuable insights during the entire course of study. I would also thank the members of staff in the Department of Development Studies and Prof. Francis Chigunta in particular for their continued guidance and material support.

Undertaking this research could have been very difficult without the support and encouragement of my family and friends. I therefore express my sincere gratitude to the following individuals for their contributions towards the successful completion of this dissertation; Mr. Mpande Mutandwa Norman, Mr. C. Jembo Chilonga and Ms. Georgina Tembo.

TABLE OF CONTENT

DECLARATION	II
CERTIFICATE OF APPROVAL	III
ABSTRACT	IV
DEDICATION	V
ACKNOWLEDGEMENT	VI
LIST OF TABLES AND FIGURES	IX
LIST OF ABBREVIATIONS	X
Chapter 1: Microfinance Lending and PSWS: An Introduction	1
1.1 Introduction.....	1
1.2 Background.....	1
1.3 Statement of the Problem.....	3
1.4 Objectives of the Study.....	3
1.5 Research Questions.....	4
1.6 Rationale of the Study.....	4
1.7 Limitation of the Study	4
Chapter 2: Literature Review.....	5
2.1. Introduction.....	5
2.2. Defining Microfinance	6
2.3. Providers and Models of Microfinance Provision.....	8
2.4. Rotating Savings and Credit Associations.....	9
2.5. The impact of Microfinance on Poverty Reduction	11
2.6. Conceptual Framework and Empirical Model	15
Chapter 3: Research Methodology	18
3.1. Study Focus.....	18
3.2. Research Design.....	18
3.3. Research Setting	18
3.4. Target Population.....	19
3.4.1. Inclusion Criteria.....	19
3.4.2. Exclusion Criteria	19
3.5. Sampling Design.....	19
3.6. Data collection techniques and tools	20
3.7. Method of Data Analysis	20
Chapter 4: Presentation and Interpretation of the Findings.....	21
4.1 Introduction.....	21
4.2 Sex and Age	21
4.3 Duration of Service and Rank of Respondents.....	21
4.4 Knowledge on terms and conditions of loan acquisition	22

4.5	Awareness of Existing MFIs in Zambia among Respondents	23
4.6	MFIs borrowed from by respondents	23
4.7	Duration for loan processing.....	24
4.8	Purpose of Last Loan Contracted from MFIs	25
4.9	Frequency of Loan Contraction.....	27
4.10	Loan amount last contracted from MFIs.....	28
4.11	Current Debt Status for PSWs.....	29
4.12	Flexibility of Loan Repayment Terms	29
4.13	Reasons for Requesting to Reschedule Loan Repayment	30
4.14	Rating of Service Provision of MFIs.....	31
4.15	Drivers of PSWs Indebtedness.....	32
4.16	General Perception on Microfinance Lending Institutions	33
	Chapter 5: Discussion of Research Findings.....	35
5.1	Introduction.....	35
5.2	Knowledge levels of PSWs on microfinance lending.....	36
5.3	Application of borrowed funds by PSWs	38
5.4	Challenges faced by PSWs in paying back the loans.....	39
	Chapter 6: Conclusion and Recommendations.....	44
6.1	Conclusion	44
6.2	Recommendation.....	45
	REFERENCES.....	48

List of Tables and Figures

Figure 1:	Empirical Model: Salary Based MFL Effects	17
Table 1:	Social demographics	22
Figure 2:	Awareness of existing MFIs	23
Figure 3:	Institutions borrowed from	24
Figure 4:	Time taken to process loan	25
Figure 5:	Purpose of last loan from a MFIs	26
Figure 6:	Number of loans contracted	27
Figure 7:	Amount last borrowed	28
Figure 8:	Flexibility of Repayment	30
Figure 9:	Reasons for rescheduling	31
Figure 10:	Rating of MFIs	32
Figure 11:	Cause of PSWs Indebtedness	33

List of Abbreviations

BOZ	Bank of Zambia
CEs	Classified Employees
CSO	Central Statistics Office
DDACC	Direct Debit and Credit Clearing
GRZ	Government of Republic of Zambia
MACO	Ministry of Agriculture and Co-operatives
MCDSS	Ministry of Community Development and Social Services
MCTI	Ministry of Commerce, Trade and Industry
MFIs	Microfinance Institutions
MFL	Microfinance Lending
MFRs	Microfinance Regulations
MIBS	Ministry of Information and Broadcasting Services
MLSS	Ministry of Labour and Social Security
MFL	Microfinance Lending
NBFIs	Non-Bank Financial Institutions
NGOs	Non-Governmental Organizations
PMEC	Payroll Management Establishment Control
PSMD	Public Service Management Division
PSWs	Public Service Workers
SPSS	Statistical Package for Social Sciences
ZDHS	Zambia Demographic Health Survey

Chapter 1: MICROFINANCE LENDING AND PSWS: AN INTRODUCTION

1.1 Introduction

In recent years, the microfinance industry has received much attention from the development community (practitioners, donors, policy makers, academicians) for its ability to lend successfully to poor people, something development banks significantly failed to do during the 1960s and 1970s (Gonzalez-Vega and Graham, 1995, Morduch, 1999, ADB, 2006). Many people think microfinance holds much promise as a poverty alleviation strategy not just for poor people but also for low income workers such as public service workers (Morduch, 1999, Imai and Azam, 2010, Yunus, 2011). Despite the perceived success of MFIs in reducing poverty at global level, this does not appear to be the case for Zambia. In recent years, scholars have argued that while microfinance has developed some innovative management and business strategies, its impact on poverty reduction remains in doubt. Microfinance, however, certainly plays an important role in providing safety-net and consumption smoothing (Chiumya, 2004, Chowdhury, 2009 and UN-HABITAT, 2011). It is in this context that this study was undertaken to assess the effects of microfinance lending on public service workers in the City of Lusaka, the Capital of Zambia.

1.2 Background

The liberalisation of the Zambian economy in the early 1990s opened doors to the development of various sectors. Sectors that could not have otherwise flourished under the state run economy emerged. The financial sector is one of the sectors that has experienced rapid growth as evidenced by the number of commercial banks and microfinance institutions (MFIs) that have come on the market. At the end of 2011, there were 19 commercial banks in Zambia, up from 13 in 2006 (BOZ, 2009 and AfDB, et al., 2012).

One of the main reasons for this increase was the requirement for all MFIs to apply for licenses. This meant that it was illegal to conduct microfinance business without a license. In addition, Zambia recorded a significant increase in the number of MFIs registered by the Bank of Zambia. According to the Bank of Zambia (2010), there were only five (5) licenced MFIs in Zambia at the time Microfinance Regulations were introduced in 2006. This had increased to twenty five (25) by 2010.

This rapid growth of the financial sector in Zambia has made access to financial services such as loans quite easy to low income individuals in Zambia. One group that is a target for MFIs financial services are those in formal employment and the Public Service Workers in particular.

There are two main types of microfinance providers in Zambia: payroll-based consumer lenders and micro enterprise lenders (“conventional” microfinance). The focus of this study was on payroll based consumer lenders whose target or major clientele were PSWs. Payroll based consumer lenders use one’s salary as collateral. The Zambia Government through the Payroll Management and Establishment Control system have entered into an agreement with MFIs to facilitate the issuance and deductions of loans to public service workers. This had been made easier with the introduction of the Direct Debit and Credit Clearing (DDACC) system that government has since implemented. DDACC is a simple, safe and speedy way to make and collect payments by electronic transfer subscriptions automatically to and from a bank account (BOZ, 2010). As the result of this system to some extent, many PSWs who could access loans from MFIs did not directly have to physically make the re-payment.

1.3 Statement of the Problem

Microfinance lending has proved to be an effective tool in poverty reduction as alluded to by many scholars, including Yunus (2005, 2011). However, this is apparently not the case in Zambia. Anecdotal evidence has shown that borrowers from MFIs, especially Public Service Workers (PSWs), have had severe problems of indebtedness. Muhammad Yunus (2011, P.A23) has further expressed dissatisfaction at the conduct of modern microfinance as follows: *“In the 1970s, when I began working here on what would eventually be called “microcredit,” one of my goals was to eliminate the presence of loan sharks who grew rich by preying on the poor. At that time, I never imagined that one day microcredit would give rise to its own breed of loan sharks.”*

This raises questions on the role MFIs play in uplifting the standards of living for their target beneficiaries through fostering improved access to finances. Currently, there is little empirical data on the effects of MFIs lending on PSWs in Zambia as there are hardly any studies that have been conducted in this area. It is in this context that this study was conducted.

1.4 Objectives of the Study

1.4.1 General Objective of the Study

To assess the effects of salary-based microfinance lending on public service workers in selected Government Ministries of the City of Lusaka.

1.4.2 Specific Objectives

Specifically, the study sought to:

- i) determine the knowledge levels of PSWs on Micro Finance lending;
- ii) establish the main purpose for PSWs borrowing from MFIs;
- iii) identify the challenges faced by PSWs when paying back the loans; obtained from MFIs; and

- iv) To get views of the borrowers on the relevance of the services offered by MFIs.

1.5 Research Questions

The study attempted to answer the following questions:

- i) Do PSWs have sufficient knowledge on the operations of MFIs?
- ii) Why do PSWs borrow from MFIs?
- iii) What are the challenges faced by PSWs with regards to paying back loans to MFIs?
- iv) How do PSWs rate the relevance of MFIs and the services they provide?
- v) Who do the PSWs blame for their indebtedness?

1.6 Rationale of the Study

This study can be justified on the grounds that:

- i. There is presently little or no empirical evidence on the effects of salary-based micro finance borrowing on public service workers. In this cause, the study would contribute to the body of knowledge;
- ii. The findings of the study could be useful to other researchers interested in the subject matter; and
- iii. The finding would hopefully be useful to the central bank (Bank of Zambia) as it develops policy regulations for the micro finance sector.

1.7 Limitation of the Study

The major limitation to the study was the availability of respondents as PSWs were not willing to participate, especially that the topic at hand was a sensitive one bordering on their personal income, a thing that people do not readily discuss. Nonetheless, the required number of respondents was met.

Chapter 2: LITERATURE REVIEW

2.1. Introduction

Microfinance continues to play an ever increasing role in poverty alleviation around the world. According to Littlefield et al. (2003) and Daley-Harris (2007), microfinance schemes have been found to reduce poverty and to positively affect nutrition, health, education as well as gender empowerment. Despite the attention paid to microfinance, the design of credit contracts for small uncollateralized loans remains a bit of a mystery (Daley-Harris, 2007 and Lehner, 2009). From its inception, microfinance generated a great deal of interest from economic theorists and other development scholars. Influential papers from Yunus (2006), Besley and Coate (1995), Stiglitz (1990) and Varian (1990) sought to explain the economic foundations of this new lending mechanism.

Empirical research on microfinance theories has for a long time largely been absent. Available literature has tended to focus on evaluating programmes in their operational form such as testing the broad impact of a particular microfinance institution or the effect of a specific programme design feature (Gine and Karlan, 2006).

Much of the early theoretical work on microfinance focused on 'joint liability' a small group of borrowers being held jointly liable for one another's repayments as the key to high loan recovery rates (Lehner, 2009). While joint liability remains a feature in the majority of microfinance loan contracts, it is no longer the sole focus. According to Gine and Karlan (ibid), several factors have contributed to this change.

A number of large micro-lenders have expanded into or converted their portfolios to individual liability loans, although the evidence on the effects of these changes remains inconclusive (Banerjee, Besley and

Guinnane, 1994; Besley and Coate, 1995; Fischer 2009). At the same time, other features of microfinance contracts such as frequent repayment, sequential lending and dynamic incentives have risen to the fore.

It is cardinal to note that most Microfinance Institutions (MFIs) started as not-for-profit organizations like NGOs (non-governmental organizations), credit unions and other financial cooperatives, and state-owned development and postal savings banks. An increasing number of MFIs are now organized as for-profit entities, often because it is a requirement to obtain a license from banking authorities to offer savings services. Yunus (2011) expressed concern at the manner in which modern MFIs were conducting their business commercially as opposed to the original purpose for which they were established. According to the New York Times, January 14th 2011, Yunus argued that:

“Commercialization has been a terrible wrong turn for microfinance, and it indicates a worrying mission drift” in the motivation of those lending to the poor.”

In this study, the various models of Microfinance provision have been reviewed.

2.2. Defining Microfinance

Although there is no precise definition of microfinance, a number of definitions have been given by various scholars and institutions concerned with the activities of MFIs (Sinha 1988, Otero 1999, Schreiner and Colombet 2001, MIX 2005). A general observation on the definitions of microfinance is that focus has been on the poor. Otero (1999:8) defines “microfinance” as, “the provision of financial services to low-income poor and very poor self-employed poor”. Similarly Schreiner and Colombet (2001:339) define microfinance as “the

attempt to improve access to small deposits and small loans for poor households neglected by banks.” On the other hand MIX (2005) has defined an MFI as “an organisation that offers financial services to the very poor.”

The definitions by Otero, Schreiner and Colombet have been criticized in this study as they have absolute focus on the poor who are not the sole beneficiaries of microfinance products. Modern microfinance targets mainly low income individuals in formal employment and not necessarily poor people. Therefore, the World Bank’s definition which has its focus on low income clientele is ideal as compared to other definitions. According to the World Bank (2007:3), the term microfinance usually implies very small loans to low income clients for self-employment, often with the simultaneous collection of small amounts of savings.

It is also important to make a distinction between “microfinance” and “microcredit”. According to Sinha (1988:2) the terms “microfinance” and “Microcredit” are often used interchangeably. Technically, microcredit refers to very small loans for unsalaried borrowers with little or no collateral, provided by legally registered institutions. In contrast, microfinance is a broad term that includes microcredit, savings, insurance, money transfers, and other financial products targeted at poor and low income people. In this case, microfinance involves additional non-credit services such as savings, insurance, pensions and payment services.

In the context of this study, microfinance is defined as the provision of financial services (loans) to low income people in formal employment but with little or no access to traditional banking loan services. Imai and Azam, (2010:2) elaborate that the poor tend to have limited access to formal financial institutions in less developed countries due to, among others (i) lack of physical collateral; (ii)

cumbersome procedures to start transactions with formal banks, which would discourage those without education from approaching the banks; and, (iii) lack of supply of credit in the rural areas related to urban-biased banking networks and credit allocations.

In this sense, microfinance is often defined as financial services for poor and low-income clients. The Microfinance Gateway(2010) highlights that MFIs commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral as well as to salaried borrowers using their employment status as collateral. These methods include salary-based loans, group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality financial services to finance their income-producing activities, build assets, stabilize consumption, and protect them against risks. These services are not limited to credit, but include savings, insurance, and money transfers.

2.3. Providers and Models of Microfinance Provision

Despite the lack of data on the sector, it is clear that a wide variety of implementation methods are employed by different MFIs. There are basically two models of financial provision through MFIs namely; Group Lending and Individual Lending. The Grameen Bank (2000) has identified different microfinance models of which this study reviewed four; Rotating Savings and Credit Association (ROSCAs), the Grameen Bank model, the Village Banking models and the individual lending model as these are the four microfinance models that have been

replicated in Africa. The study focused on the individual lending model as it was highly applicable to loans contracted by PSWs.

2.4. Rotating Savings and Credit Associations

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000a). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbours and friends, and the group provides an opportunity for social interaction and are very popular with women. They are also called merry-go rounds or Self-Help Groups (Fisher and Sriram, 2002).

2.4.1. The Grameen Solidarity Group Model

This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Berenbach and Guzman, 1994). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ledgerwood, 1999). According to Berenbach and Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organisations such as the Grameen Bank, who use this type of microfinance mode. They also contributed for four to eight weeks prior to receiving a loan. Savings must also continue for the duration of the loan term. Only two of the group members receive a loan initially. After a period of successful repayment, two highlight the fact that this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Berenbach and Guzman, 1994, p.121).

2.4.2. Village Banking Model

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 (Holt, 1994). They have been in existence since the mid-1980s and FINCA implements this model to attain financially sustainable solidarity groups. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000a). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty per cent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Holt (1994, p.158) "the model anticipates that female participation in village banks will enhance social status and intra-household bargaining power".

2.4.3. Individual Lending Model

In addition to the tradition lending models that involve group lending, individual based lending has taken centre stage with the commercialisation of microfinance provision. This study focused on individual lending model which has been characterised largely by the

application of microfinance provision based on the free - market principle.

In recent years, the microfinance industry has evolved targeting individuals in formal employment. Credit lenders usually use an employee salary as collateral and the money is recovered through direct deductions from monthly salaries. This has become a common form of microfinance lending especially in urban areas (CGAP, 2005 and Lehner, 2009).

As opposed to group and other modes of lending, individual lending has become the lead mode of microfinance provision in urban areas of developing countries. Brandt et al., (2012:2) allude that Individual lending programmes are normally offered by commercial institutions. After a thorough check of the client's financial status is conducted, a borrower is either given a loan or declined. Christen (2000) further guides that collateral and co-signers are required from the borrower and that the model seems to work better for those who are not considered the poorest of the poor. The model has been most successful for MFIs working in urban populations.

2.5. The impact of Microfinance on Poverty Reduction

Most of the studies conducted in different parts of the world, namely Asia, South America and Africa have shown that microcredit can provide a range of benefits that poor households highly value including long-term increases in income and consumption (Gallardo, 2001). A harsh aspect of poverty is that income is often irregular and undependable. Access to credit therefore, helps the poor to smooth cash flows and avoid periods where access to food, clothing, shelter, or education is lost. Credit can make it easier to manage shocks like sickness of a wage earner, theft, or natural disasters. The poor use credit to build assets such as buying land, which gives them future

security. Women participants in Microcredit programmes often experience important self-empowerment (Holden, 2002).

Studies conducted in Bolivia by the Human Organization, (Vol. 65, No. 1, 2006), Thailand, World Development Report, (Vol. 34, No. 9, September 2006, pp. 1612-1638) and Malawi have all shown that Microcredit benefits the poor. However, a number of that was evaluated to assess the outreach and impact of microfinance programmes, controlling for endogenous self-selection and program placement. Results indicate that the wealthier villagers are significantly more likely to participate than the poor. Moreover, the wealthiest often became program committee members and borrow substantially more than rank-and-file members. However, local information on creditworthiness was also used to select members. The programmes positively affect household welfare for committee members, but impact is insignificant low for rank-and-file members. Policy recommendations included vigilance in targeting the poor, publicly disseminating the program rules and purpose, and introducing and enforcing eligibility criteria, World Development, (Vol. 34, No. 9, September 2006, pp. 1612-1638).

Studies conducted in Malawi, Ghana, Mali, Rwanda, Swaziland and Zimbabwe all show that most of the MFIs are more biased towards microcredit than other services offered by MFIs such as savings, insurance, and money transfers (Robinson, 2001., MIX, 2005 and Otero, 1999). All the studies conducted in these countries have indicated that microcredit helps improve the lives of their clients (Dichter 1999). However, most of these studies have been criticized on grounds that most of them do not entirely target the poor people in the communities which should be the role of MFIs. As noted by the World Development Report (2005) most of the MFIs in Africa have tended to concentrate on people who are in the formal sector than those in the informal sector. This has mainly been attributed to the

fact that most of those in the informal sector raise very little guarantees for repayment of the loans contracted.

In addition to the above, Kim (2005) notes that most poor people manage to mobilise resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. However, conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore the fundamental problem is not so much of unaffordable terms of loan as the lack of access to credit itself (Kim 1995).

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, commercial lending institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self-employed households is not stable, regardless of its size. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for collateral with a clear title which many low-income households do not have. In addition bankers tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation.

Copestake (2002) undertook a study to show how impact on income distribution depends upon who obtains loans, who graduates to larger loans, who exits and group dynamics on the Copperbelt Province in

Zambia. The study sought to specifically examine the impact of micro-credit on inequality by using data from a microfinance project created by the Christian Enterprise Trust of Zambia (CETZAM). In terms of poverty status, the study by Copestake shows a decrease in poverty for those involved with CETZAM. Copestake reports results from a sample survey showing that 65per cent of borrowers were living under the poverty line and 50per cent were within the standards of extreme poverty when they joined CETZAM. However these rates at the time of the study were shown to be 59per cent and 39per cent respectively, suggesting CETZAM had an impact in reaching the poor population. However, this paper concluded that CETZAM had possibly led to greater income inequality. Copestake (2002) concluded that overall, "... the evidence presented by his study suggests that while micro-credit can make a positive contribution to short-term poverty reduction it may do this at the cost of increasing inequality, particularly during periods of wider economic stagnation or decline".

In the Zambian context MFIs, however, do not seem to have played their role of uplifting the living conditions of the poor. This is so because the MFIs in Zambia have strongly targeted the workers in the formal sectors of the economy thereby neglecting the poor majority who need their help more. Moreover, the MFIs in Zambia have created a perpetual base of clients who find it difficult to break off from their dependence on MFIs. A number of studies conducted in developing countries have shown a number of bad practices among major MFIs.

Stark 2005) argued that in most countries, predatory practices of MFIs have not been addressed from a legal point of view; and attributed the proliferation of such practices to lack of regulation of the sector. In 2006, the Bank of Zambia introduced the Microfinance Regulations which compelled all MFIs operating in the country to be licensed. This however, was inadequate as there was still need for further regulation of the manner in which MFIs conducted their business.

Further literature that has demonstrated the bad practices of MFIs include; the US-HUD, 2001;Morgan,2007, as they referred the current commercialised microfinance lending to as predatory lending which meant that through such predatory practices as manipulation or providing incomplete information provided benefits to the lender whilst exploiting the borrowers lack of knowledge regarding the loan terms. This meant that as the loan contract disproportionately favours the lender, the problems faced by the borrower to repay the debt significantly undermined the borrower's wealth and welfare.

Further, individual money lenders are found in both rural and urban areas, but evidence from recent research suggests that they are more common in urban communities. They are used to finance a wide range of needs including school fees, medical fees, funeral expenses, small business assets, food, and entertainment and even servicing weekly repayments for MFI loans. In Zambia, money lenders are supposed to be licensed under the Money Lender Act of 1938 but only a few are licensed. Most money lenders are part-time operators. They normally offer short-term unsecured loans at high interest rates, typically at 100per cent per month. Repayment is generally done by a single instalment. Prospective customers who are not known to the moneylender, must be introduced by an existing well-known customer and are in most cases required to secure the loan with a movable collateral (radios, television sets and so on). The number of moneylenders in Zambia is not known.

2.6. Conceptual Framework and Empirical Model

As previously noted, a growing number of microfinance programmes provide consumer loans to low income salaried workers. Often these workers use their employment status as collateral to borrow. Under the terms of the loan, monthly deductions are made from salary accounts maintained with the financial institution or payments are made through a check off whereby an employer makes direct payroll

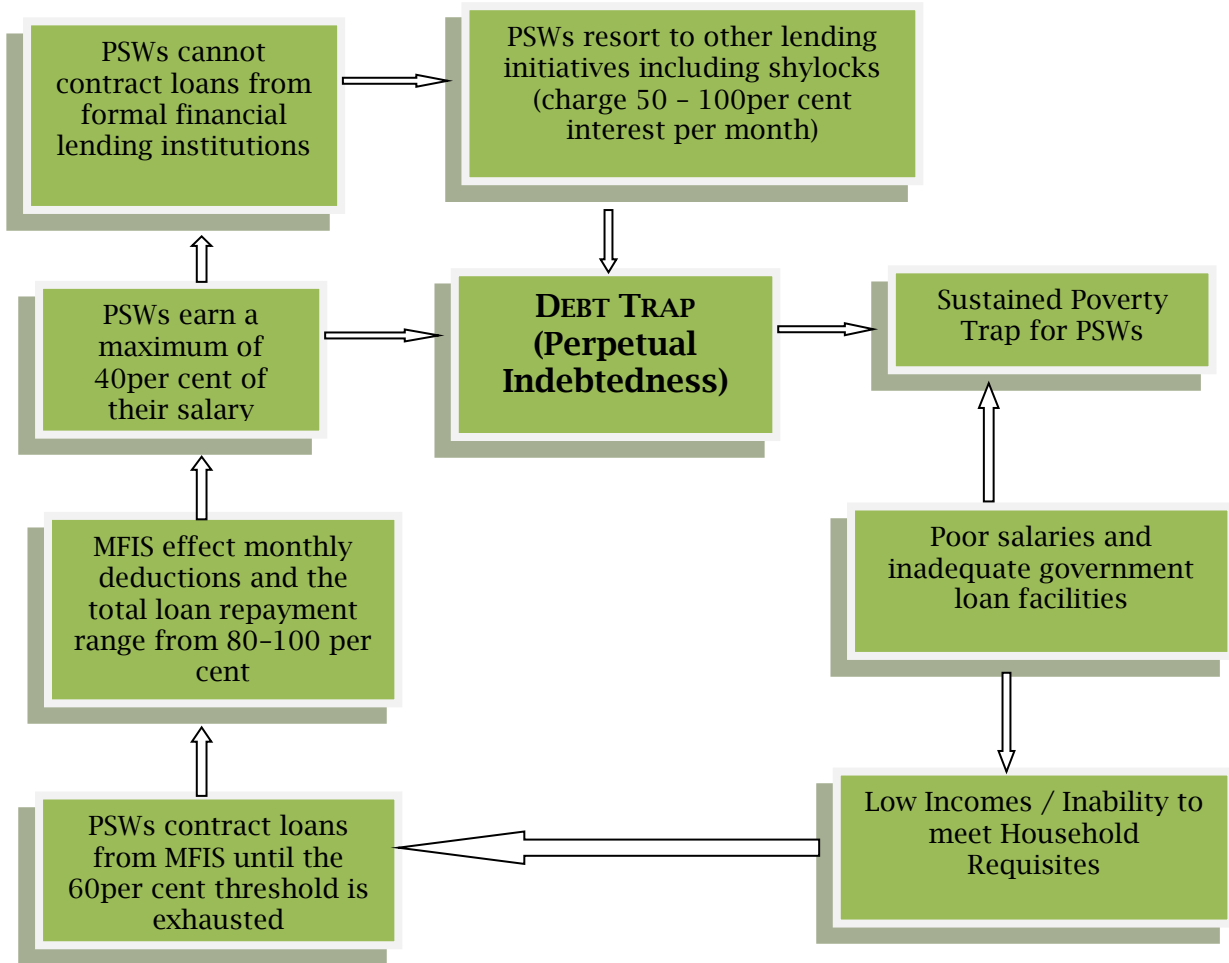
deductions and remits the balance to the lender. A common perception is that such loans represent a low risk, high return opportunity. Low risk because the loan is secured on terminal benefits and collection is assured, high return due to low expected operational costs and higher rates of efficiency (Gallardo: 2001).

Salary-based lending is normally provided to those with a relatively stable employment history. With consumer loans the direct lending relationship is usually partly replaced by a corporate relationship between the Head Office and the private company or Government Department. Where responsibility for a repayment problem can lie either with the employer, based in the capital city, or the employee based in a rural town, assigning responsibility for the resolution of issues can be very difficult.

For example, poor salaries for PSWs and generally their low levels of income have led to PSWs surviving on borrowed income. Basically, the key players in the credit cycle include PSWs themselves, MFIs and the 'shylocks' (informal money lenders) popularly known as **ba kaloba** in most parts of Zambia.

The Zambian Government has allocated a threshold of 60per cent as the maximum amount that can be deducted from the PSWs salary through the Payroll Management Establishment and Control system (PEMEC). PSWs whose salary falls below the 40 per cent threshold do not qualify to obtain loans from MFIs and the only option available is to approach other informal lenders such as the shylocks. This will possibly wipe the entire salary for a PSW as they are to service loans obtained from the MFIs as well as the shylocks who charge exorbitant interest rates ranging from 50 - 100 per cent. This leaves the PSWs, especially those in Division II and III, into the debt trap hence questioning the role salary-based microfinance lending play in improving the livelihood of PSWs.

Figure 1: Empirical Model: Salary-Based Microfinance Lending and Effects



Chapter 3: RESEARCH METHODOLOGY

3.1. Study Focus

Arising from the above model, this study investigated:

- i) Reasons for PSWs borrowing from MFIs;
- ii) Methods employed by MFIs in loan recoveries
- iii) challenges faced by PSWs with regards to paying back loans obtained from MFIs;
- iv) The relationship between PSWs indebtedness and microfinance lending; and
- v) Other initiatives PSWs engage in to access income.

3.2. Research Design

The study type was a cross sectional study. This involved a systematic collection and interpretation of both qualitative and quantitative data with a view to giving clear effects of salary based micro finance lending on public service workers in selected ministries of Lusaka city. This design was appropriate in that it was not expensive and time consuming.

A cross sectional study, according to Creswell (1994) can help in order to show the different facts that are connected with the nature of the status of the current problem or condition as it happens at the time of the study. This is the reason why it is considered as one of the most applied methodology in most studies. Furthermore, it was also helpful in order to offer logical use in the studies which focused on dissemination of information, at the same time, it helped in order to investigate based on normative standards.

3.3. Research Setting

The research was conducted in Lusaka city. The criteria for selection of the city of Lusaka was based on the grounds that it is the city that houses most of the Government Ministries and that it was easier for

the researcher to access the PSWs. Among the ministries that were selected in the study were; MIBS, MCTI, MLSS, MCDSS and MACO. The bottom up approach was used to select respondents with the help of the human resource departments in the five Government Ministries.

3.4. Target Population

The target population comprised PSWs who are based in government ministries in Lusaka city.

3.4.1. Inclusion Criteria

- i) PSWs who are based in selected ministries in Lusaka;
- ii) The minimum age for inclusion was 18 to 55years and;
- iii) Consenting to participate in the study.

3.4.2. Exclusion Criteria

- i) Refusal to take part by not signing the consent and;
- ii) PSWs who are not based in selected ministries in Lusaka.

3.5. Sampling Design

Purposive sampling which is a non-probability sampling technique was employed in this study. Fifty (50) PSWs from five (5) government ministries who had contracted at least a loan from a Micro Finance Institution were selected for this study. The payroll system was used to identify the possible respondents among the PSWs. The payroll system showed all the workers that had acquired a loan from one or more of the MFIs. Ten (10) respondents were drawn from each of the five selected ministries. The number of participants per ministry was limited to ten due to the fact that people were not willing to participate especially that the topic at hand was a sensitive one bordering on their personal income, a thing that people do not readily discuss.

3.6. Data collection techniques and tools

The data was collected from PSWs using self-administered questionnaires and interviews were conducted with key informants from MFIs. The questionnaires were used to collect quantitative data whereas as the interview guide was used to collect qualitative data. The study also employed the use of secondary data collected from various publications such as journals, financial reports, books etc. The data was used for the analysis of the effects of salary-based microfinance lending on PSWs in Lusaka district

3.7. Method of Data Analysis

Both qualitative and quantitative data analysis techniques were employed in the study. The Statistical Package for Social Sciences (SPSS) and MS-Excel were used for the analysis of quantitative data. Content analysis as well as logical/matrix analysis were used for the analysis of qualitative data.

Chapter 4: PRESENTATION AND INTERPRETATION OF THE FINDINGS

4.1 Introduction

This section presents the findings of the research. The section in addition gives an interpretation of the findings. Frequency tables, pie and bar charts have been used to present the findings of the research.

4.2 Sex and Age

Out of the 50 respondents who participated in the study, 52 per cent of the respondents were male while 48 per cent were female. In terms of the age of the respondents, more than half (52 per cent) were in the age range 25 – 35 years, 34 per cent were in the range 35 – 45 years, while 12 per cent were above 45 years and there was only 1 respondent below the age of 25 represented by 2 per cent. The average age for all the respondents was 34 years.

4.3 Duration of Service and Rank of Respondents

The period spent working in the Public Service ranged from below five years, with about 40 per cent of the respondents in this group. 24 per cent had worked for a period between 5 to 10 years and the remaining 36 per cent had worked for more than 10 years. As for the rankings in the public service, the majority (60 per cent) were in division two. This is a division with lower management and unionized staff comprising the majority of the PSWs. Division three had 24 per cent respondents and this represents Classified Employees (CEs) who are not on permanent establishment. Division one accounted for 14 per cent of the respondents, and this division is comprised of senior and middle management staff.

All the 50 participants (100 per cent) had contracted a loan from a MFI. The target population was that of PSWs who had utilized the services of a MFI. Therefore, the survey was able to capture the required number of respondents. Out of these, only 30 per cent had

contracted a loan from MFIs once. 68 per cent had contracted more than once with only 2 per cent did not respond to this question.

Table 1 below summarises the demographic data for the above presentation.

Table 1: Social Demographics

Characteristics	N	per cent
Sex		
Female	24	48
Male	26	52
Total	50	100
Age		
<25 years	1	2
25 - 35	26	52
35 - 45	17	34
45 +	6	12
Total	50	100
Duration of Service in the Public Service		
<5years	20	40
5 - 10 years	12	24
10+years	18	36
Total	50	100
Division/Rank in the Public Service		
Division 1	7	14
Division 2	30	60
Division 3	12	24
No Response	1	2
Total	50	100
Ever contracted a loan from more than one MFI?		
Yes	34	68
No	15	30
No Response	1	2
Total	50	100

Source: Field Findings, 2010

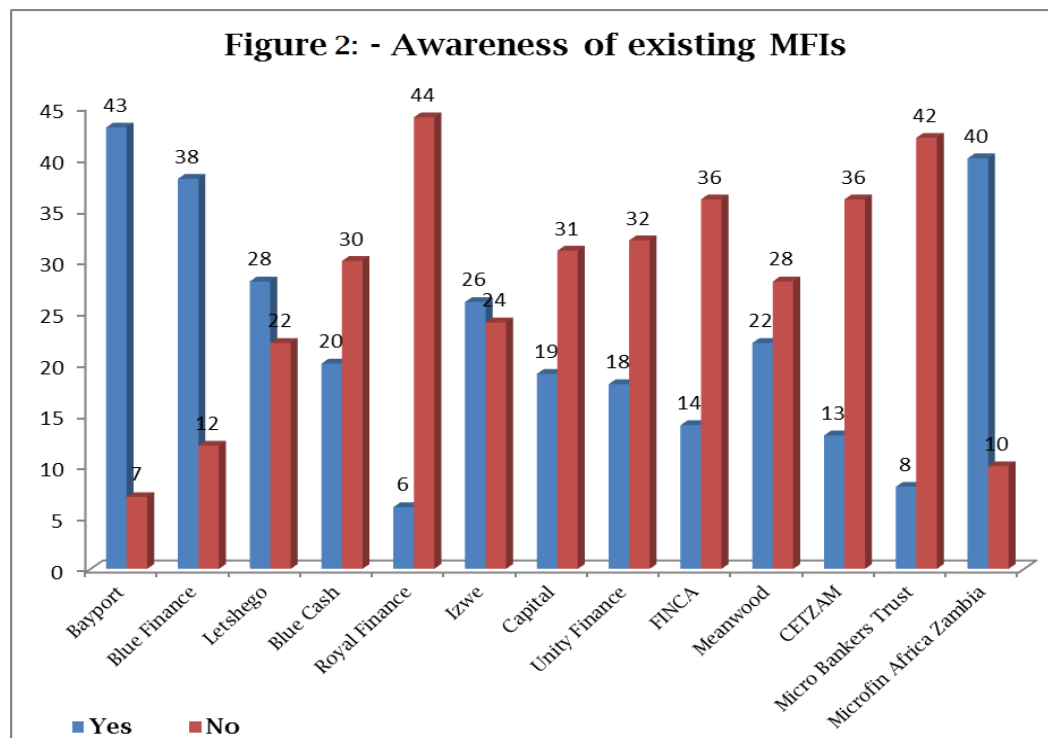
4.4 Knowledge on terms and conditions of loan acquisition

As regard to whether the respondents understood the terms and conditions of the loan for contracting a loan from MFIs, 82 per cent of the respondents indicated that they fully, while only 9 representing 18 per cent indicated that they did not. The distribution indicates that PSWs were aware of the possible difficulties they would face by contracting loans from MFIs. However, it is possible that many of them

were unable to interpret the terms and conditions accurately as they argued that some of the conditions were in small font or hidden and to some extent misleading.

4.5 Awareness of Existing MFIs in Zambia among Respondents

Figure 2 presents the analysis of 25 registered MFIs registered by Bank Of Zambia, the survey revealed that Microfin Africa Zambia at 80 per cent, Bayport at 86 per cent and Blue Financial Services at 76 per cent were the most known MFIs to PSWs. This can be attributed to the aggressive marketing strategies employed by these institutions.

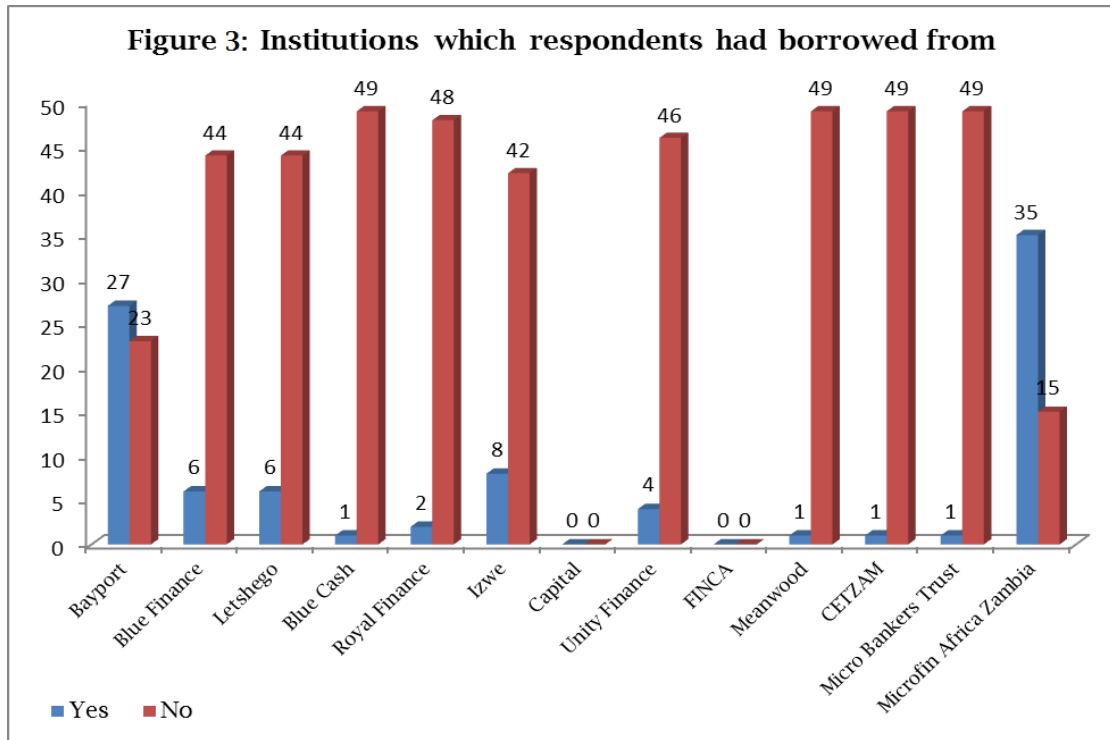


Source: Field Findings, 2010

4.6 MFIs borrowed from by respondents

The overall results as presented in figure 3 with regard to institutions were PSWs borrowed from; the survey revealed that 35 (70 per cent) of the respondents borrowed from Microfin Africa Zambia Ltd and 27 (54 per cent) had borrowed from Bayport as the highest whereas the lowest being Blue Cash, Meanwood, CETZAM and Micro Bankers Trust.

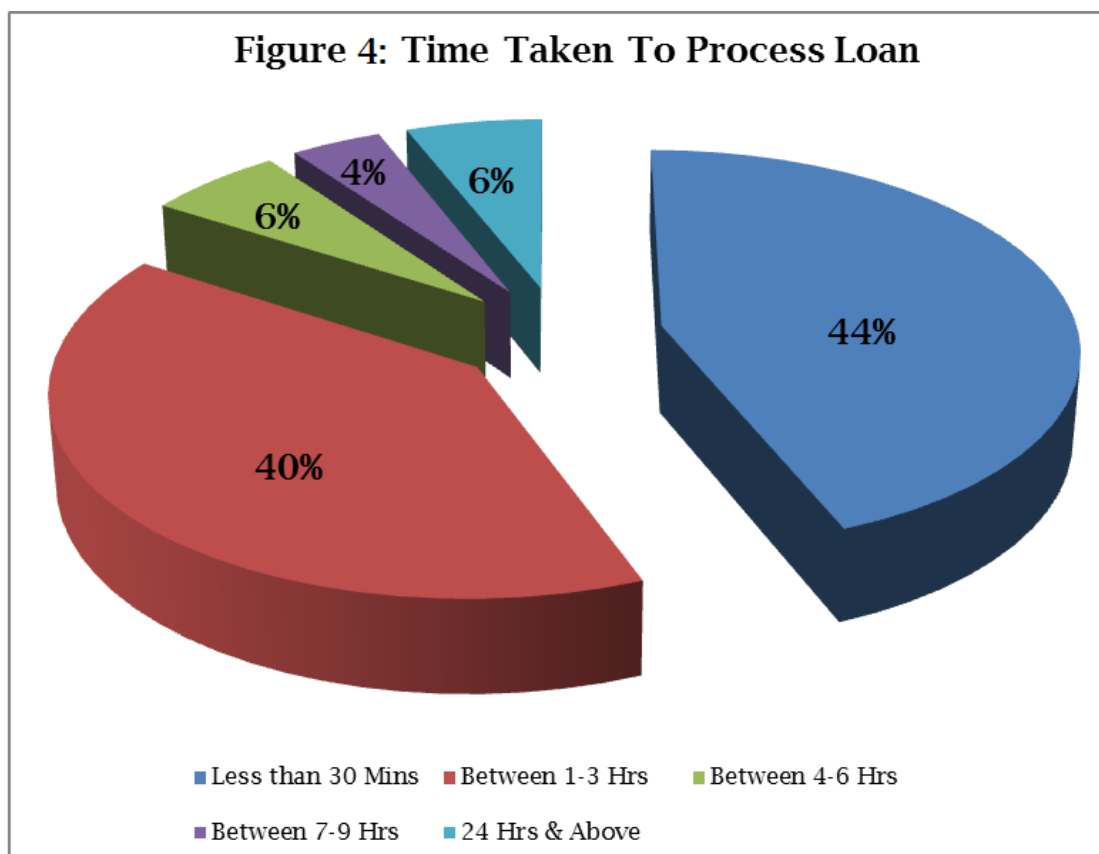
None of the respondents agreed having borrowed from FINCA and Capital Finance.



Source: Field Findings, 2010

4.7 Duration for loan processing

Figure 4 shows the time it took the respondents to have their loan application processed. The highest was 22 representing 44 per cent indicated that it took them under an hour to receive the cash from the MFI. The second group of 20 respondents representing 40 per cent indicated that it took them between 1 and 3 hours to have their loan application processed. It took between 4 to 6 hours for the 3 respondents representing 6 per cent to complete the transaction, whilst it took 7 to 9 hours to process loans for another 2 respondents representing 4 per cent of the total sample. It further took approximately 24 hours to process loans for 3 representing 6 per cent.

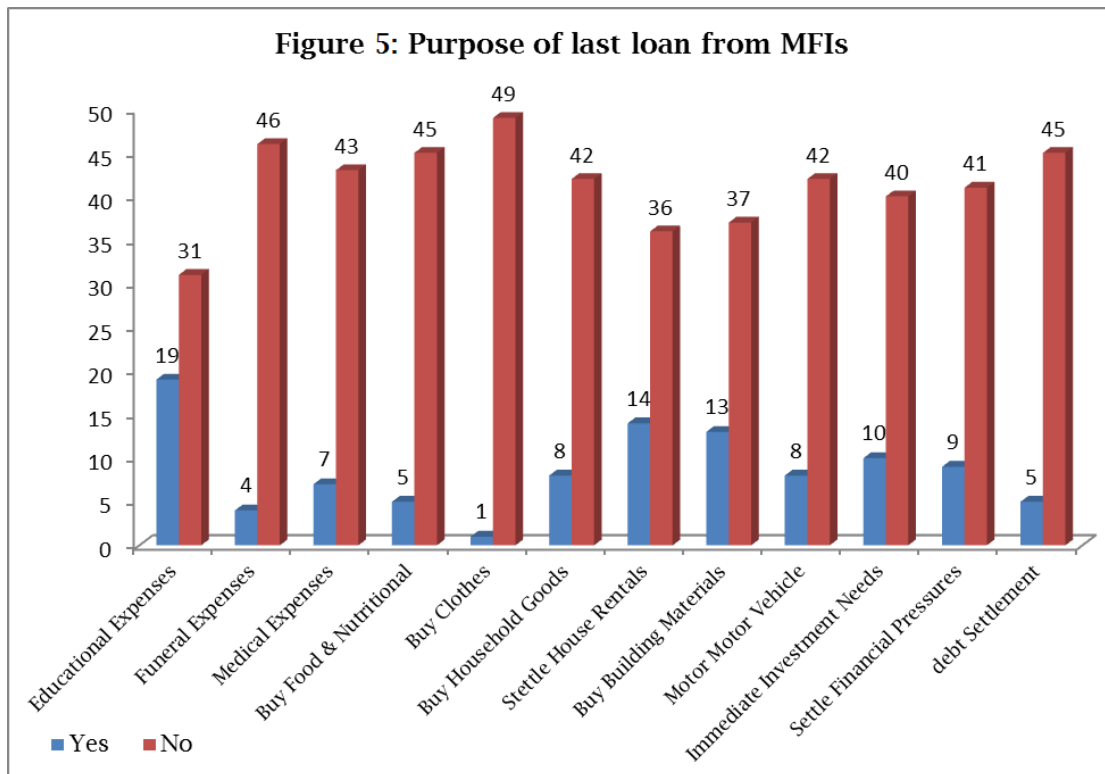


Source: Field Findings, 2010

It took less than three hours to process loans for the majority (44 people) of the respondents (88 per cent). This demonstrates the efficiency of MFIs in processing loans.

4.8 Purpose of Last Loan Contracted from MFIs

Figure 5 shows the number of respondents who borrowed due to the pressure to service a loan from another financial institution. Only 5 respondents' representing 10 per cent borrowed for the purpose of servicing another loan/debt whereas 41 representing 82 per cent did not borrow for this purpose.

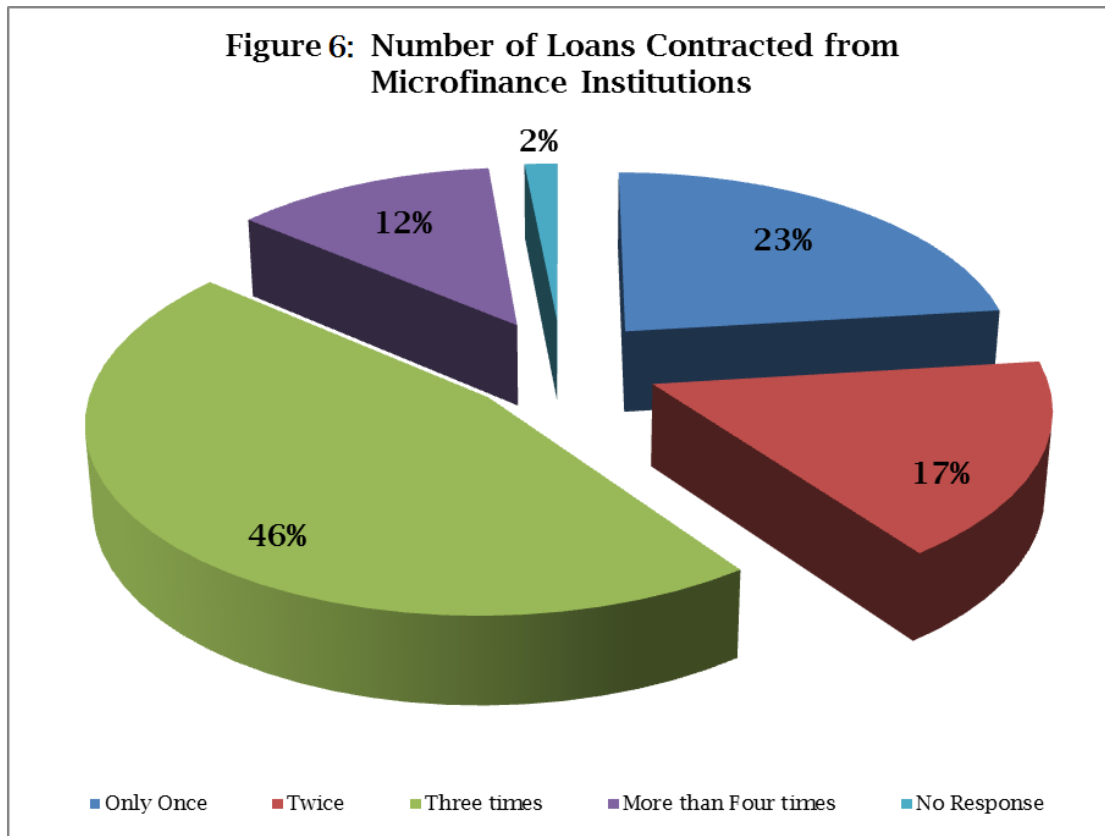


Source: Field Findings, 2010

The survey revealed that there were numerous reasons why PSWs borrowed from MFIs. However, the 19 (38 per cent) respondents borrowed for the purpose of meeting educational expenses, 14 respondents (28 per cent) to pay house rentals whereas 13 respondents (26 per cent) borrowed towards the purchase of building materials. Among other reasons borrowed for included; medical and funeral expenses, food and nutritional expenses, purchase of clothing and household goods, purchase of motor vehicles, immediate investment needs, sorting out financial problems as well as servicing other loans. The above demonstrates that the borrowing patterns were not sustainable and were mainly for consumption as opposed to investment purposes. The highest being 38% borrowed to meet educational needs whereas the lowest 1 respondent (2 per cent) to purchase clothing and 5 respondents represented 10 percent for food and nutritional requirements and the other 10 percent for additional debt servicing.

4.9 Frequency of Loan Contraction

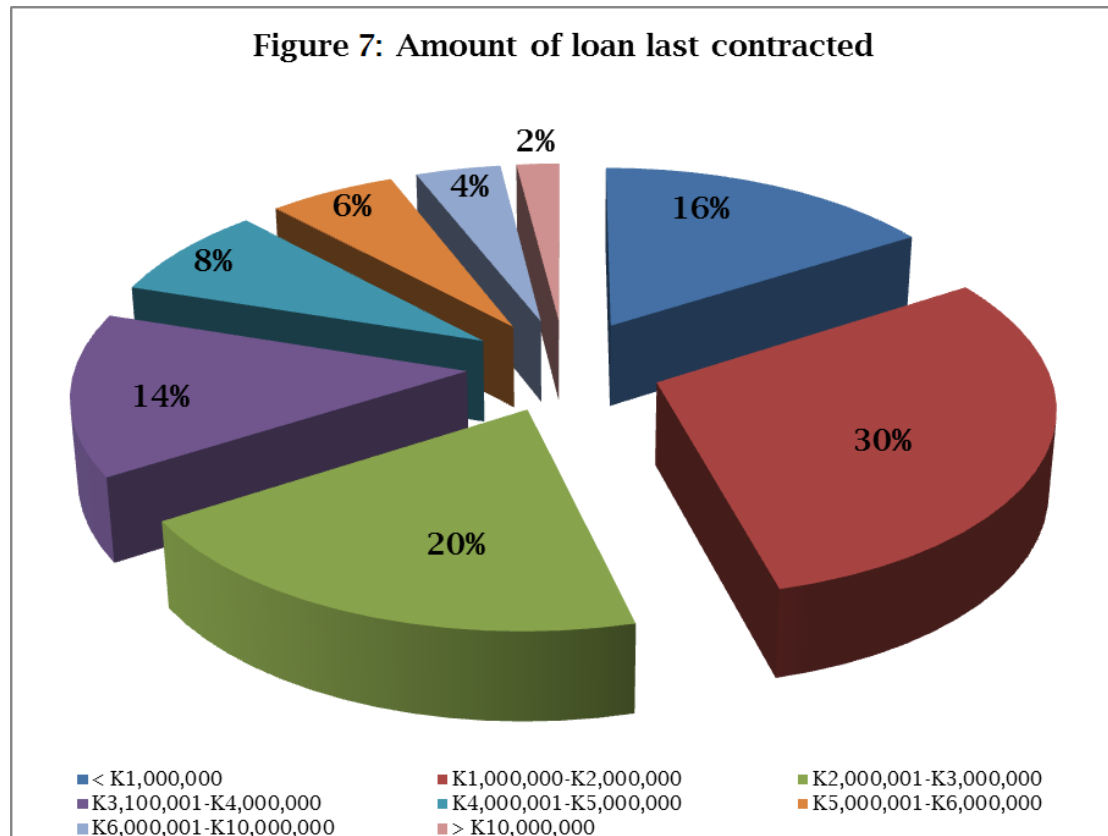
Figure 6 shows the number of times that the respondents contracted loans from various MFIs. Those that have contracted once were 15 representing 30 per cent, 11 representing 22 per cent had only contracted loans twice, 15 had contracted the loans three times and represented 30 per cent whereas those that had contracted loans more than four times were 8 representing 16 per cent of the total sample. The survey revealed that the borrowing patterns for PSWs were evenly distributed. This meant that PSWs borrowing patterns were not effectively controlled hence they could borrow as often as they desired.



Source: Field Findings, 2010

4.10 Loan amount last contracted from MFIs

Figure 7 shows the amounts last borrowed by PSWs. 16 per cent borrowed below K1,000,000, 30 per cent borrowed between K1,000,000 and K2,000,000 followed by 20 per cent who borrowed between K2,000,000 and K3,000,000. Respondents who borrowed between K3, 000,000 and K4, 000,000 represented 14 per cent whereas 8 per cent borrowed between K4, 000,000 and K5, 000,000. Only 3 per cent of the respondents borrowed between K5, 000,000 and K6, 000,000 whereas only 4 per cent borrowed between K6, 000,000 and K10, 000,000. Only one of respondent borrowed above K10, 000,000 representing 2 per cent.



Source: Field Findings, 2010

The study revealed that most of the PSWs borrowed below K5, 000,000 of which the average borrowed between K1, 000,000 and K3, 000,000. This can be attributed to the low salaries especially in the largest

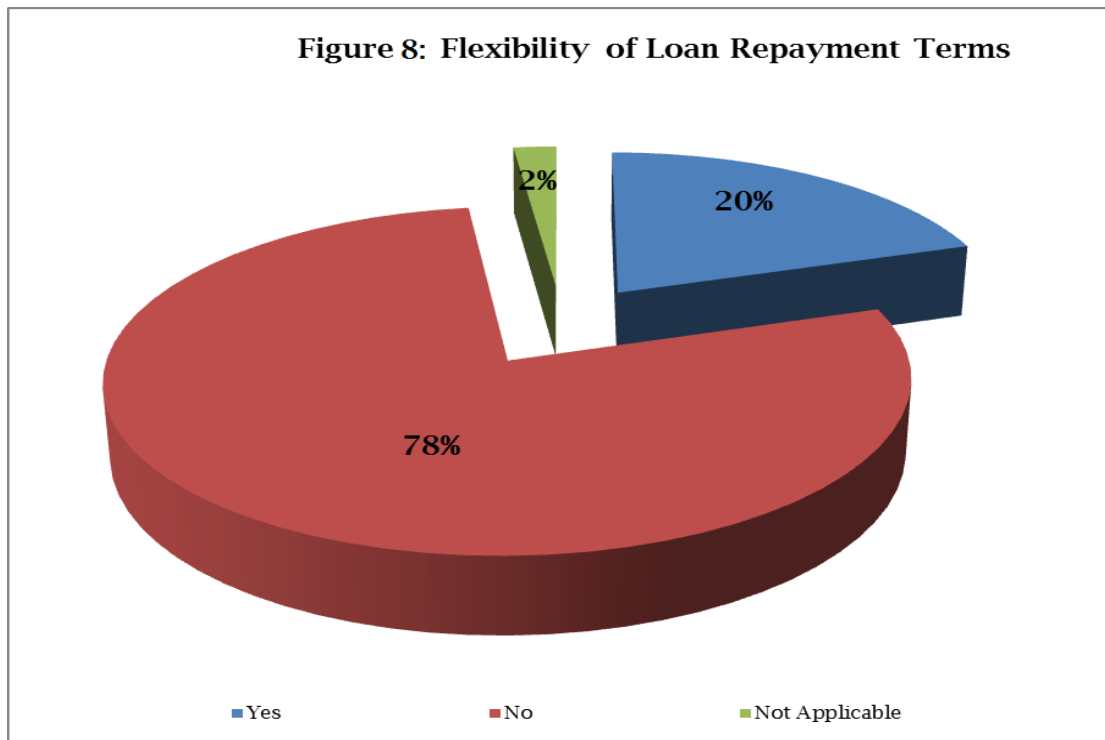
borrowing group of Division II respondents. Furthermore, the loans are guaranteed by salaries hence their salaries could not qualify them to acquire loans exceeding K5, 000,000.

4.11 Current Debt Status for PSWs

On whether the respondents still owed MFIs at the time of research, it was found that 60 per cent owed the MFIs, while 38 per cent did not owe the MFIs. There was a 2 per cent non response to this question. The majority of the PSWs still owed and this could be attributed to their continued borrowing. Further asked whether they felt the amount they borrowed was too much to pay back. It was found that 72 per cent thought the amount was too much to repay while 26 per cent felt the amount was not too much to repay. The majority of PSWs felt the amounts they owed were too much to repay and this can be attributed to the high interest rates applicable to the loans offered by MFIs.

4.12 Flexibility of Loan Repayment Terms

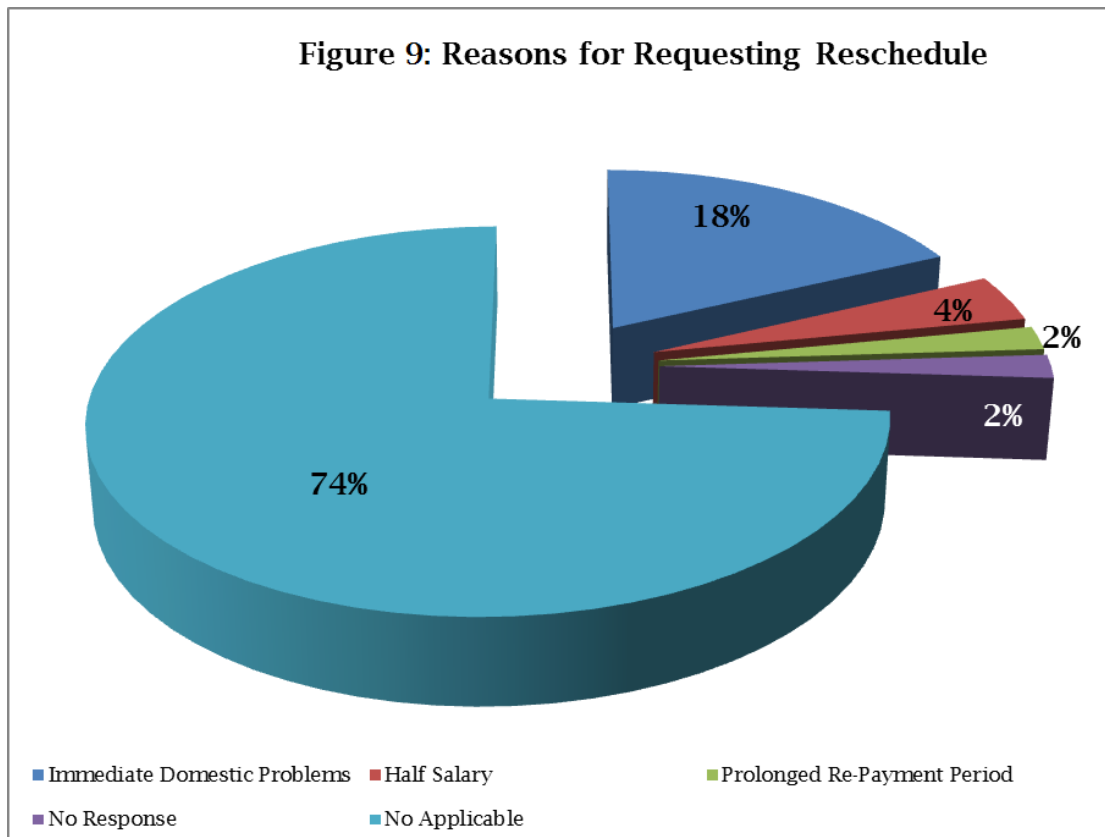
Figure 8 indicates that twenty (20) per cent of respondents indicated that they had requested MFIs to reschedule the loan repayment period, and 78 per cent did not make this request. The study revealed that most of the respondents had never requested MFIs to reschedule their loan repayment period and this can be attributed to the fact that most MFIs were not tolerating such requests. MFIs terms and conditions for borrowing were not negotiable and not flexible hence most the reason most PSWs never made the request to reschedule the repayment period even in harsh times.



Source: Field Findings, 2010

4.13 Reasons for Requesting to Reschedule Loan Repayment

Figure 9 shows the respondents' reasons for requesting for the rescheduling of the loan repayment period. 18 per cent needed relief to use their salary to solve immediate family problems, 4 per cent were on suspension hence getting half salary, only 2 per cent wanted to prolong their repayment period whereas this question was not applicable to 74 per cent of the respondents and there was a 2 per cent non response to this inquiry. Respondents argued that in the past, poor salaries coupled with over deductions and high repayment amounts compelled most PSWs to seek the request for rescheduling loan repayment periods. They further argued that historically, MFIs where not flexible in allowing borrowers to reschedule their loan repayment periods. It is against this background that the majority of PSWs stopped making such requests as MFIs were reluctant to grant such requests.



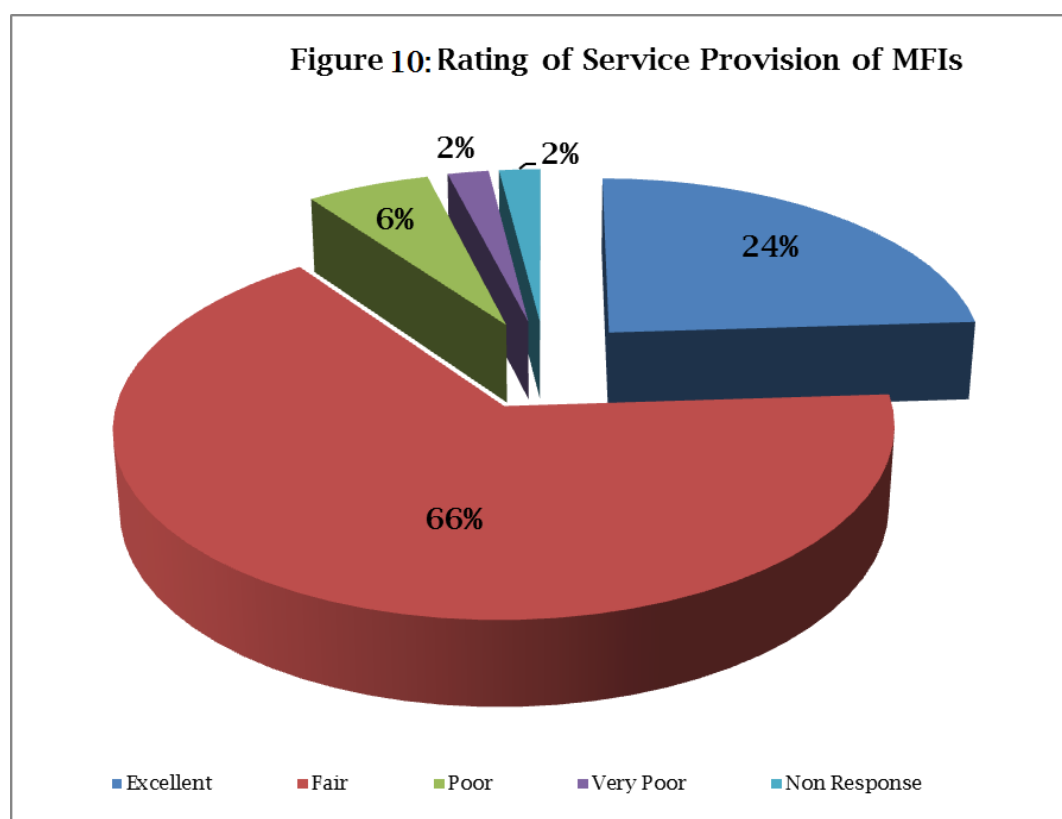
Source: Field Findings, 2010

Only 40 per cent of the total requests were granted, approval for 16 per cent was not granted whereas as the question was not applicable to 60 per cent. Reasons for rejection included; company policy did not allow, lack of confidence on clients by MFIs, clients net salaries would go below 40per cent which is against the Government conditions whereas others were advised that Interest repayment rate would increase.

4.14 Rating of Service Provision of MFIs

Figure 10 shows the respondents; rating of the MFIs they contracted loans from. 66 per cent of the total respondents rated MFIs fair in the way they offered their services, 24 per cent of the respondents rated the service provided by MFIs as excellent. On the other hand 6 per cent rated the service provided by the MFIs poor whereas 2 per cent rate the services to be very poor and another 2 per cent did not respond to this question. Considering that MFIs provided loans when PSWs

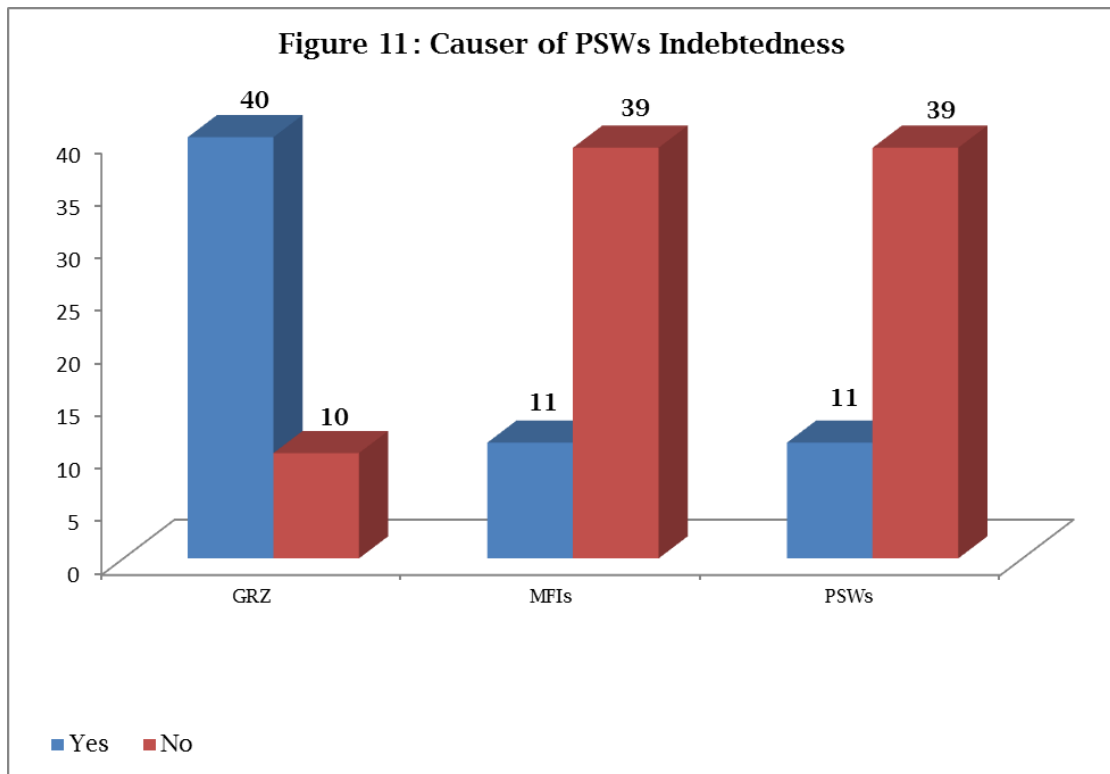
needed them the most, 90 per cent rated them as being from fair to excellent in terms of effective service provision.



Source: Field Findings, 2010

4.15 Drivers of PSWs Indebtedness

As regard to whether Government as the employer was responsible for PSWs debts, figure 11 shows that 80 per cent agreed to this assertion whereas 20 per cent did not agree. 80 per cent of the respondents said that Government as the employer was the major cause of PSWs indebtedness. This can be attributed to lack of access to low interest loans for PSWs at workplaces. The survey also revealed that due to poor consumption patterns for some of the PSWs caused their perpetual indebtedness. The survey further revealed that due to the aggressive advertisement of their products, MFIs attracted PSWs to borrow hence perpetuating their indebtedness. Therefore, 22 per cent of the respondents argued that both MFIs and PSWs were responsible for the problem of indebtedness amongst PSWs.



Source: Field Findings, 2010

4.16 General Perception on Microfinance Lending Institutions

The research sought to establish the objective of contracting loans and whether this was achieved. It was found that 88 per cent of the respondents achieved their objective and 12 per cent could not. Forty-two (42) per cent of the respondents considered MFIs to be helpful, 26 per cent indicated that they were fairly helpful whereas another 26 per cent indicated that the loans were helpful only to some extent and 4 per cent felt MFIs were not helpful at all. The other 2 per cent indicated that they could not make judgment. The majority of the respondents rated MFIs as being helpful and this could be attributed to the fact that the institutions provided the services in the times of need.

In addition, respondents were asked on future plans regarding contracting loans. It was found that 42 per cent had plans to contract subsequent loans whereas 56 per cent of PSWs never had intentions of

further contracting loans from MFIs. However, lack of financial security may lead to the PSWs approaching MFIs for financial resources.

Further, the respondents were asked on the level of indebtedness after contracting loans from MFIs. The majority of the respondents (76 per cent) responded that they were highly indebted to these MFIs while 18 per cent indicated they did not feel indebted while six (6) per cent did not respond to this question although some PSWs were not comfortable with the amounts they owed and this was worsened by the high interest repayment rates. In relation to the promptness in service provision by MFIs, 42 per cent of the respondents indicated that they were happy with MFIs, 38 per cent indicated some level of unhappiness and 18 per cent indicated that they were not sure with 2 per cent having no response to this question.

In terms of efficiency in service provision, 84 per cent of the respondents indicated that MFIs provided financial resources when they needed them most and 16 per cent did not take this view. The majority indicated that MFIs provided services when most needed and this can be attributed to faster approval and disbursement processes in facilitating loans acquisition. Those who said were not happy with MFI services argued that high interest rates applied to their loans and mostly were not adequately informed on the loan conditions.

Furthermore, 56 per cent of the respondents indicated that they would consider the same MFI when contracting the subsequent loan while 38 per cent would consider using another institution. Six (6) per cent did not respond to this question. For those who said they would not consider approaching the previous MFI they transacted with, attributed this to the exploitative business relationship they had with the respective MFIs.

Chapter 5: DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

Access to credit and savings facilities has been a challenge worldwide especially in the developing world. Limited formal banking facilities in developing countries are the major contributor to lack of access to credit and savings especially for the low income population. Concern Worldwide, 2005; UNDP, 2005 and Irish Aid, 2005, have reported that, “Worldwide over 80% of people do not have access to the services of commercial banks. In order to get a loan people have no option but to depend on local money lenders, who often charge exorbitant rates of interest, often times leaving the borrower in a more precarious financial position.” This implied that with access to microfinance loans, people could avoid getting informal loans from local money lenders.

With the growth of the microfinance sector in the developing world, Zambia inclusive, access to credit especially for the low income population has been widened. Otero (1999) illustrates that microfinance is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are mainly ignored by the formal banking sector. Littlefield and Rosenberg (2004) state that the poor are generally excluded from the financial services of the economy hence MFIs have emerged to address this market failure.

However, despite contributing to the widening of access to financial services for the low income brackets in Zambia and amongst PSWs in particular, the study deduced that MFIs led borrowers into the sustained debt trap and thus invariably contributed to the sustained levels of poverty amongst the borrowers. This was in conformity with Hulme and Mosley (1996) whom while acknowledging the role

microfinance can have in helping to reduce poverty, concluded from their research on microfinance that, *“microfinance is not a panacea for poverty - alleviation and that in some cases the poorest people have been made worse-off by microfinance.”* This is further evidenced from the findings of this study which revealed that most of the people who borrowed from the MFIs remained highly indebted. Therefore, quick and easy access to finances did not directly translate into poverty reduction contrary to what most proponents of MFIs have pointed out. This research further discovered that having exhausted the limit for borrowing using their payslips, most of them resorted to borrow from local money lenders hence lowering their income and ultimately worsening their debt levels.

This study further revealed that over 50 per cent of the respondents had contracted a loan more than twice a thing which is very worrying. Contrary to the assertion that MFIs and the loans that they offer provide an effective means for poverty reduction, this was not the case with the findings of this study. The majority of the respondents reported escalating levels of poverty as a result of transactions they had with MFIs which drastically reduced their income levels and thereby invariably driving them into poverty.

5.2 Knowledge levels of PSWs on microfinance lending

PSWs who took part in the study exhibited sufficient knowledge levels about MFIs. Over 90 per cent of the participants in the research knew what the core business of MFIs and how they operate. Asked about the number of MFIs they knew, on average, all the participants knew at least more than ten MFIs. The research revealed that the Zambian public service had the highest composition of the youth age group between 25 and 35 years representing 52 per cent of the sample followed by the workforce in the age group of between 35 and 45 years representing 34 per cent of the sample. This study reveals that

most of the people who were borrowing are youths, this conforms to the National Youth Policy (2006) which pointed out that most of the people who were in the habit of borrowing especially from Non-Banking Financial Institutions were youths. The policy highlighted lack of collateral by most youths as the reasons for resorting to borrowing from alternative financial sources.

The research further revealed that 44 per cent of the youth age group fully understood the terms and conditions for contracting loans whereas only 26 per cent of the adults aged between 36 - 45 understood terms and conditions of contracting loans from MFIs. 18 per cent of the respondents aged above 45 years understood clearly the terms and conditions of contracting loans from MFIs.

The findings of this research clearly show that most of the PSWs understood the terms and conditions of contracting loans from MFIs. This was an obvious case especially for the youths as the level of education for most of them played a role. The problem faced by most of the borrowers was to interpret the terms and conditions fully as most of them accused MFIs of incorporating small fonts (hidden conditions) in their business. This tie in with the findings in a study that was conducted by Khalily (2004), in which the results indicated that most of the people who borrowed from MFIs did not only fail to understand the terms and conditions of the loans, but also failed to interpret the terms and conditions.

Lack of financial literacy was amongst the major challenges in the provision of microfinance as revealed by this study. Lack of financial literacy or education had been detected in most developing countries and that the situation was severe among women, youths, the elderly, low income sectors and people with low and middle education (Orton, 2007; Mandell, 2009; Lusardi and Mitchel, 2006). According to the

Organisation for Economic Cooperation and Development (OECD, 2005:13), financial education consisted of:

“The processes, by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

Further, the results indicates that a number of participants in the study reported that some of the condition to the loans were not fully explained to them as of the time before they contracted the loans and just come to learn about them when they had already gotten the loan. Therefore, despite understanding the general terms and conditions for borrowing from MFIs, the limiting factor they faced was inability to effectively interpret them.

5.3 Application of borrowed funds by PSWs

The study revealed that there were numerous reasons as to why PSWs borrowed from MFIs. However, the majority of the respondents 38 per cent borrowed for the purpose of meeting educational expenses, 28 per cent to pay house rentals whereas 26 per cent borrowed towards the purchase of building materials. Among other reasons borrowed for included; medical and funeral expenses, food and nutritional expenses, purchase of clothing and household goods, purchase of motor vehicles, immediate investment needs, sorting out financial problems as well as servicing other loans. Household consumption and re-payment of other loans were amongst the reported uses of loans from MFIs and the informal lenders. Sinha and Matin (1998) point out that internal cross financing takes place due to the large increase in MFI lending in which the proceeds from one loan were being used to repay another. This study revealed that PSWs borrowed from informal

sources so they could maintain high repayment rates with the MFIs as well as maintain a high borrowing threshold on their payslips in order to become eligible for larger future loans. With the introduction of DDACC for processing loan repayment, MFIs increased disbursements of loans as recovery was now automated. Rahman (1999) observed that MFIs increased disbursement of loans among their clients and pressed for high recovery rates to earn profit for economic viability of the lending institutions.

The findings of the study were also in conformity with the findings of the World Development report of 1996. According to the World Development, as more poor people borrowed from MFIs, they also found it distasteful to be forced to pretend they were borrowing to start a business, when they were often borrowing for other reasons (such as paying for school fees, dealing with health costs or securing the family food supply). The more recent focus on inclusive financial systems affords moneylenders more legitimacy, arguing in favour of regulation and efforts to increase competition between them to expand the options available to poor people. The above denotes that the borrowing patterns were not sustainable and were mainly for consumption as opposed to investment purposes.

5.4 Challenges faced by PSWs in paying back the loans

Over half of the participants that took part in the study complained of High Interest Rates charged by the MFIs. This is in conformity with the study conducted by Chilengue (2007), who in his study reported steep interest rates that are charged by microfinance lenders in Mozambique. From the findings of this study, most MFIs seem to be charging their interest on a monthly basis which on the overall repayment period brings the interest way too higher than what even commercial banks are charging. This is also in line with the argument by Yunus (2011) that commercial lenders were attracted by the high

repayment rates of poor borrowers, and resorted to charging very high interest rates in unregulated markets with little client protection.

Due to most of the borrowers not having collateral, the PSWs find MFIs more attractive as they give loans backed by salaries. MFIs talked to complained of the high lending rates from commercial banks and thus they had to charge higher rates in order to make a profit and pay back what they borrowed from Commercial Banks that were lending at 30 per cent interest rate to MFIs.

The findings of the study, confirms the statement from the Bank of Zambia Governor who revealed that MFIs were lending at more than 100 per cent, which was too high as they also borrowed at high interest rates from commercial banks. “People have complained about commercial banks having very high interest rates at 26 per cent but some MFIs are charging more than 100 per cent interest on the loans and people are still borrowing. It is amazing and in fact it is a challenge,” (BOZ, 2010). Due to this practice of high interest rates, some of the participants had to borrow from more than one MFI to keep going and this in itself contributed to low income levels resulting from continued indebtedness.

In addition to other critics of the modern microfinance practices, Yunus (2011) argued that poverty should be eradicated, not seen as a money-making opportunity. The recent controversy about the activities of some microfinance institutions had stirred a broader debate about commercialization and mission drift in the sector. The recent controversies that allege some MFIs of profiteering at the expense of the borrowers seemed to contradict the original purpose of the MFI movement, namely making capital accessible to the poor to lift them out of poverty, had cast a shadow on the industry.

Despite all these shortfalls posed by MFIs on the PSWs, the workers had continued to borrow from them. Like most of the studies done, PSWs put the blame on the failure by Government to establishment an effective lending mechanism for PSWs. This was so not only because these people were lowly paid but also that the employer did not equally provide them with loan facilities equitably. As evident from this study, personnel in division II and III of the public service were the largest borrowers of money from MFIs. The two comprise of the largest public service workforce and are highly composed of lower management and the operational workforce. Most of the respondents in the two groups stated that they had little access to cheaper modes of financing such as Government loans and commercial banks. Most of them argued that the loan allocation procedure employed in the public service favoured officers in division I (Senior Management) hence most of the personnel in division II and III were made to access financing through MFIs at high interest rates.

A review of a number of payslips presented by some of the respondents clearly showed that loans issued by the Government as the employer had rates of interest approximately at 10 per cent (for the entire loan period) whereas loans offered by MFIs attracted an interest rate of over 80 per cent (as charged on monthly basis). Those who accessed loans through MFIs were at most of the times denied access to Government loans as they fell below the 40 per cent margin on their payslips as required by Government for accessing both Government and Commercial loans from banking and non - banking institutions MFIs included. This worsened their income situation as they could no longer borrow from either the Government or MFIs and therefore, resorted to borrowing from individual and usually informal money lenders who charged exorbitant interest rates.

However, it should be noted that unsustainable consumption patterns of the part of PSWs also contribute to their heavy indebtedness. This is

so as because 22 per cent of the respondents stated that PSWs were also to blame for their indebtedness and attributed this to their high propensity to consume. Most of the PWSs were in a tendency of acquiring luxury goods which were beyond their income reach such as motor vehicles. In addition to this, some of the property they acquired were liabilities which need the PSWs to spend money just to keep them running, for example a car needed regular maintenance and fuel. An average PSW never borrowed for investment purposes but for consumption as well as settling outstanding debts. The findings of this study were in conformity with the findings of a case study undertaken in Ghana by the Centre for European Research in Micro Finance, which showed that user 'indebtedness' was the result of a combination of factors related to both borrower circumstances and MFI products and policies (Schicks, 2011). In terms of borrower circumstances, the economic challenges of failed business investment, loan use that does not earn returns, adverse shocks that reduce the borrower's income, and lack of assets, especially savings, to serve as a buffer against delinquency, were all important causes of over-indebtedness. Fernando, (2006) and Schicks, (2011), contend that with regard to MFI policies, although interest rates were a frequent source of complaints, borrowers also cited inflexible product features as a main reason for their indebtedness

As much as the services offered by MFIs have short comings, PSWs still valued them. This is so because the MFIs were efficient and effective in the manner the disbursed their loans. Most of the participants pointed out that it took them very little time (in some cases as little as 30 minutes and below) to have their loans processed.

In summary, among the major effects of salary-based microfinance lending on Public Service Workers in selected Government Ministries in Lusaka District included forcing the PSWs into higher levels of indebtedness. Due to this, PSWs have failed to break out of the cycle of

poverty. Despite this, it should be noted that some of the PSWs have managed to do constructive things out of the same loans. Some people managed to use the loan to buy property such as land and building materials which in themselves are fixed assets and will gain value with the passage of time.

Chapter 6: CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The coming of MFIs in the Zambian economy has provided opportunities for people to access financing for various needs without being necessarily in possession of huge collateral as demanded by commercial Banks. In theory, it has been argued that most of the people who access funds through MFIs are likely to benefit and improve their livelihood. However, this research proved that this is not the case with PSWs in Zambia. This is so because in the case of Zambia, not only has microfinance not been an effective tool for improving the welfare of citizens generally but also failed to improve the welfare of PSWs who borrow from them in particular. MFIs provided temporal relief by providing easy access to finances for PSWs however, the study revealed that this was unsustainable as all the gains were absorbed by the high repayment interest rates. This also study revealed that MFIs as players on the financial market were condemned by participants in this study on the following grounds:

- i) High interest rates;
- ii) Ineffective regulation of the sector;
- iii) Abusive lending (code, overcharging);
- iv) Continued indebtedness of clients especially PSWs; and
- v) Terms and conditions of borrowing not fully explained to the borrowers (some hidden conditions).

The conclusion was in line with the findings of Fernando, (2006) and Schicks, (2011) who concluded in their study conducted in Ghana that, borrowers attributed repayment problems to high interest rates and a number of factors such as:

- i) The investment went wrong, or borrowers started paying off too late compared to instalments;
- ii) An emergency made repayments difficult;
- iii) The interest was too high or instalments too frequent; and

iv) The amount disbursed was too low for the required investment.

6.2 Recommendation

- i) There is need for strong regulation of the MFIs sector by the government and Bank of Zambia and it was discovered that most of the MFIs PSWs borrow from are not properly regulated. The major form of regulation available is licensing and supervision by the Central Bank. However, most of these MFIs go unsupervised most of the time a thing that accords them an opportunity to engage in abusive codes. Therefore, there is need for the Bank of Zambia to put up strong regulatory measures that will protect the interest of the clients they save.
- ii) The study revealed that exploitative or predatory lending exploited the gaps in the financial legislation of a country. There was therefore need to re-look and possibly amend certain provisions of the current financial legislation in Zambia in order to seal all the possible loopholes for abuse.
- iii) There is deliberate need for the Government to undertake deliberate financial education for all citizens especially those in the informal and semi-formal sectors especial women, youths and elderly. Government should establish financial education programs aimed at disseminating financial knowledge among the most vulnerable groups as financial knowledge has been associated with higher savings and less debt.

The Bank of Zambia should regulate the interest rates in the MFI sector. There was an urgent need to regulate the way MFIs charge interests on their clients. The Bank could introducing a cap on the effective annual lending interest rates that licensed non-bank financial institutions can charge their customers. This is so because most of the PSWs who took part in the study complained

of high interest rates which in some cases are as high as 80per cent. This high percentage charged was in most cases hidden and most of the clients do not realise how much they will be paying until they have paid everything.

- iv) Capping of interest rates would make borrowing from non-bank financial institutions more affordable and equitable especially to the vulnerable micro-borrowers served by this sector. Therefore, the maximum lending interest rate for non-bank financial institutions designated as microfinance service providers by the Bank of Zambia should not exceed 30 % of the financed loans.
- v) Establishment of a mechanism for effective financial provision to the PSWs. This could be in the form of a revolving fund or microcredit bank for PSWs.
- vi) All MFIs should be compelled to explain all the conditions associated with the loan that they are issuing to the client before that persons contracts one. This will not only reduce the chances of the clientele been abused but it will also provide an opportunity for the clients to ask question were they are not clear. In addition to this, there is need for the explanation to be given in a local language that the customer is familiar with so as to ensure effective communication and understanding on both parties.
- vii) The Majority of the PSWs who participated in the study complained of continuous indebtedness as a result of perpetual borrowing. In order to curb this, there is need for employers to train their workers on how to handle finances especially borrowed money. There is need to train them on how to invest especially that borrowed money can only yield when properly invested.

- viii) Government as a major employer in the country needs to improve the staff welfare management system for its employees. This will not only reduce the PSWs borrowing but it will also save them from being exploited by the MFIs and other borrowers were the get loans at exorbitant interest rates.

- ix) There is need for more research on MFIs in Zambia so as to ensure that more knowledge on their operations is generated.

REFERENCES

- ADB (2000) **Finance for the Poor: Microfinance Development Strategy**, Manila, Asian Development Bank
- ADB (2006) **African Development Bank African Development Fund: Microfinance Policy And Strategy For The Bank Group**, Operations Policies And Review Department (POPR), May 2006.
- African Economic Outlook for Zambia, 2012.
www.africaneconomicoutlook.org
- Alain, P. (2001) **Identifying Promising MFIs**. New York: UNDP.
- Bank of Zambia (1999) **Development of Microfinance Regulation and Supervision: Project Document**. Lusaka : BOZ.
- Bank of Zambia (2010) **BOZ acts to lower interest rates**. Lusaka : BOZ.
- Best, J. W. (1970). *Research in Education*, 2nd Ed. Englewood Cliffs. N.J.: Prentice Hall, Inc.
- Brandt, Laura, Natalya Epifanova, and Tatiana Klepikova. "**Lending Methodology Module.**" A U.S. Department of State/NISCUP Funded Partnership with the University of Washington-Evans School of Public Affairs, The Siberian Academy of Public Administration, and the Irkutsk State University.http://depts.washington.edu/mfinance/eng/curriculum/docs/53_LendingMethodology.pdf (accessed Dec 18, 2012).
- Chiumya, C. (2006). **The Regulation of Microfinance Institutions. A case of Zambia**.
- Chiumya, C. (2004). **Banking Sector Reform and Financial Regulation: the Effects on Access to Financial Services by Low Income Households in Zambia**. University of Manchester.
- Chiumya, C. (1999) **The Effectiveness of Bank Regulation and Supervision in Zambia**, unpublished Masters Dissertation, University of Birmingham.
- Concern Worldwide, et.al (2005) **Give Credit to the Poor**, Nairobi, Development Education Department, Concern Worldwide
- Chowdhury, A (2009) **Microfinance as a Poverty Reduction Tool—A Critical Assessment: DESA Working Paper No. 89** ST/ESA/2009/DWP/89December 2009

- Copestake, James. (2002). **“Inequality and the Polarizing Impact of Micro-credit: Evidence from Zambia’s Copperbelt,”** *Journal of International Development*, 14: 743-55.
- Christen, R. P., Jayadeva, V & Rosenberg R. (2004) **Financial Institutions with a Double Bottom Line. Consultative Group to Assist the Poor**, Washington: CGAP.
- Chriseten, R.P., Rhyne, E. and Vogel, R C (1994). **Maximizing the Outreach of Microenterprise Finance: The Emerging Lessons of Successful Programmes.** Virginia: Arlington.
- Creswell, J.W. (1994). **Research design. Qualitative and quantitative approaches.** Thousand Oaks, California: Sage.
- Daley-Harris S., (2007) **State of the Microcredit Summit Campaign Report 2007.** Microcredit Summit Campaign: Washington.
- de Quidt, J et al., (2012) **Market Structure and Borrower Welfare in Microfinance** Department of Economics, London School of Economics, Houghton Street, London, WC2A 2AE, UK.
- Dichter, T. and Malcolm, H. (eds).(2007). **What’s Wrong with Microfinance? Practical Action.** Oxford: Oxford University Press.
- Dondo, C. A. (1991). ***Survey and analysis of credit programmes for small and micro enterprises in Kenya.*** Nairobi, Kenya Rural Enterprises Programme. AfDB, OECD, UNDP, UNECA (2012)
- Gallardo, J. (2001) A Framework for Regulating Microfinance Institutions: The Experience in Ghana and the Philippines:* The World Bank Financial Sector Development Department.
- Gine, X. and Karlan, D. (2006) **Group versus Individual Liability - A field experiment in the Philippines.** World Bank Policy Research Working Paper 4008: Washington.
- GRZ (2006) **National Youth Policy**, Department of Youth Development, Lusaka.
- GRZ (2006). **The Banking and Financial Services Act Cap 387 of 2006: The Banking and Financial Services (Microfinance) Regulations, 2006.** Lusaka: Government Printers.
- Khandler, S. R. (2003), **Microfinance and Poverty: Evidence Using Panel Data from Bangladesh**, World Bank Policy Research Working Paper 2945

- Katsushi, I and Shafiul, A, (2010). **"Does Microfinance Reduce Poverty in Bangladesh? New Evidence from Household Panel Data,"** The School of Economics Discussion Paper Series 1019, Economics, The University of Manchester.
- Katsushi, I and Shafiul, (2010). **"Does Microfinance Reduce Poverty in Bangladesh? New Evidence from Household Panel Data,"** Discussion Paper Series DP2010-24, Research Institute for Economics & Business Administration, Kobe University, revised Nov 2011.
- Kim Kyung-Hwan (1995) **"Access to Credit, Term of Housing Finance and Affordability of Housing,"** Housing Finance International 9(4), June 22-27.
- Lehner, M (2009) **Group Lending versus Individual Lending in Microfinance: Discussion Paper No. 299,** University of Munich, Governance and the Efficiency of Economic Systems.
- Littlefield E., Murdock J., Hashemi S., (2003). **Is Microfinance an Effective Strategy to Reach the Millenium Development Goals?** CGAP Focus Note 24.
- Matin, I and Halder, S. R. (2004) **Combining Methodologies for better targeting of the extreme poor: Lessons from BRAC's CFPR/TUP Programme.** CFPR-TUP Working Paper Series No. 2, Research and Evaluation Division, BRAC: Bangradesh.
- Meagher, P. (2002) **Microfinance Regulation in Developing Countries: A Comparative Review of Current Practice.** USA, IRIS Center: University of Maryland.
- Microfinance Gateway (2010). www.microfinancegateway.org/p/
- MOF (2002) **'Zambia Poverty Reduction Strategy Paper 2002 - 2004'.** Lusaska: Government of the Republic of Zambia.
- Morduch, J. (1995) **Income smoothing and consumption smoothing,** Journal of Economic Perspectives, Vol. 9, No.3,pp. 103 - 14
- Morduch, J. and Haley, B. (2002) **Analysis of the Effects of Microfinance on Poverty Reduction,** NYU Wagner Working Paper No. 1014
- Mugwang'a, T and David, C www.microsave.org in: Adams, Dale W., Douglas H. Graham & J. D. Von Pischke (eds.). (1984). **Undermining Rural Development with Cheap Credit.** Boulder & London: Westview Press.

- OECD (2005). **Improving Financial Literacy: Analysis of Issues and Policies.** Paris, OECD Publications.
- Orton, L. (2007). **Financial Literacy: Lessons from International Experience.** Research Report. Ottawa, Canadian Policy Research Network.
- Otero, M. and Rhyne, E.(1994) **The New World of Micro-enterprise Finance -Building Healthy Financial Institutions for the Poor,** West Harford: Kumarian Press.
- Rahman, A (1999) **Micro-credit Initiatives for Equitable and Sustainable Development,; Who Pays?** World Development 27, no. 1:67-82.
- Robert, C., & Jennifer, M. D. (1998). **MicroBanking Bulletin.** Boulder CO: Economics Institute.
- Robinson, M. (2001). **The Microfinance Revolution: Sustainable finance for the poor.** Washington, DC: The World Bank.
- Robinson, M. 1995. **The paradigm shift in microfinance: a perspective from HIID.** Development Discussion Paper #510, Harvard Institute for International Development.
- Stark, D.P. (2005). **Unmasking the predatory loan in Sheep's Clothing: Legislative Proposal.** Harvard Blackletter Lawe Journal, 21, 129-162
- UN-HABITAT (2011) **The Global Urban Economic Dialogue Series: Microfinance, Poverty Reduction and Millennium Development Goals,** United Nations Human Settlements Programme, Nairobi GPO KENYA
- World Bank (2006). **World development.** Washington DC: World Bank.
- World Bank (2007)Doing **Impact Evaluation No. 7: Impact Evaluation for Microfinance,** Yale University and Innovations for Poverty Action.

APPENDIX I – QUESTIONNAIRE

THE UNIVERSITY OF ZAMBIA
SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF DEVELOPMENT STUDIES
POSTGRADUATE STUDIES

QUESTIONNAIRE FOR PUBLIC SERVICE WORKERS IN THE CITY OF
LUSAKA

Dear Respondent,

You have been randomly selected to participate in this study by providing the requested information in the questionnaire.

This is an academic study. The findings of this survey will be used in the development of a dissertation for the fulfilment of the award of a Master of Arts Degree in Development Studies offered by the University of Zambia.

The survey findings will also contribute to the body of knowledge regarding the effects of Micro-finance lending on Public Service Workers (PSWs). Information obtained in the survey will be treated in the *Strictest Confidence*. It will not be availed to anyone and the researcher will not use your name or data in particular to you but as overall statistical inference.

Every respondent will have an assigned code so that neither your name nor your job title will be mentioned in any document. Your response will be aggregated with those of others such that they will not be attributable to you.

Please answer all questions honestly and where you have no knowledge/experience please indicate so.

7. Below is a list of Micro Finance Institutions registered with the Bank of Zambia (BoZ) as of 1st October 2010. Tick (✓) for the ones you know of.

Bayport financial services Zambia Limited	[]
Blue financial services Zambia Limited	[]
Letshego financial services Limited	[]
Blue cash Xpress Limited	[]
Royal Microfinance of Zambia Limited	[]
Izwe Loans Zambia Limited	[]
Capital Solutions Limited	[]
Unity Finance Limited	[]
FINCA Zambia Limited	[]
Meanwood Finance Corporation Limited	[]
CETZAM Financial Services Limited	[]
Micro Bankers Trust	[]
Microfin Africa Zambia Ltd	[]

8. From the list of the micro financial institutions that you have ticked in question 7, which ones have you borrowed money from?

Bayport financial services Zambia limited	[]
Blue financial services Zambia limited	[]
Letshego financial services limited	[]
Blue cash Xpress limited	[]
Royal Microfinance of Zambia Limited	[]
Izwe Loans Zambia Limited	[]
Capital Solutions Limited	[]
Unity Finance Limited	[]
FINCA Zambia Limited	[]
Meanwood Finance Corporation Limited	[]
CETZAM Financial Services Limited	[]
Micro Bankers Trust	[]
Microfin Africa Zambia Ltd	[]

9. For how long did you wait for your loan to be processed at the MFI you last contracted a loan from?

- Less than 30 Minutes []
- Between 1 to 3 hours []
- Between 3 to 6 hours []
- Between 6 to 9 hours []
- 24 hours (1 day) []
- 48 hours (2days) []
- Between 3 to 7 days []

SECTION C

PURPOSE OF LOANS BORROWED BY PSWs

10. When you last borrowed from a Micro Finance Institution, what was the money needed for?

- To settle school fees []
- To meet funeral expenses []
- To meet medical expenses []
- To meet food and nutritional needs []
- To purchase clothes []
- To purchase household goods []
- To pay house rentals []
- To buy construction material for a house []
- Towards purchase of a motor vehicle []
- Immediate Investment needs e.g. to purchase Land, start a business etc. []
- To sort out financial pressures []
- Other immediate domestic needs []
- Pressure to service another loan []
- Other (Specify).....

11.How many times have you contracted loans from microfinance institutions?

- Only once []
- Twice []
- Three times []
- More than four times []

12. Did you achieve the objective for contracting your loan?

- Yes []
- No []

13.Do you have plans of contracting another loan from Micro-Finance Institutions?

- Yes []
- No []

SECTION D

CHALLENGES FACED BY PSWs WHEN PAYING OFF LOANS

14.Have you at any time felt you are highly indebted to MFIs?

- Yes []
- No []

15.What was the amount of the loan you last contracted from a Micro-Finance Institution?

- Below K1, 000,000 []
- Between K1, 000,000 and K2, 000,000 []
- Between K2, 000,000 and K3, 000,000 []
- Between K3, 000,000 and K4, 000,000 []
- Between K4, 000,000 and K5, 000,000 []
- Between K5, 000,000 and 6,000,000 []
- Above K6, 000,000 but not exceeding K10, 000,000 []
- Above K10, 000,000 []

16. Do you still owe any MFIs?
- Yes []
- No []
17. Does the amount you owe appear too much to repay?
- Yes []
- No []
18. If YES to question 17, state the reasons and suggest how repayment can best be done.
-
-
19. Have you ever requested a Micro Finance Institution you borrowed from to reschedule the repayment period for your loan?
- Yes []
- No []
20. If YES to question 19, under what grounds was your request made?
- Need relief to use your salary to solve immediate domestic problems []
- You were put on suspension hence getting a half salary []
- You were relieved off your duties (lost your job) []
- Other (specify).....
21. Was your request for rescheduling the loan repayment granted?
- Yes []
- No []
22. If NO to question 21, why was your request rejected?
- Company policy does not allow []
- Lack of confidence on clients by MFIs []
- Previous clients breached the agreement []
- Other (specify).....
23. How helpful have Micro-Financial Institutions been to you?
- Helpful because I was able to solve my problem []

- Fairly helpful []
- Not helpful because of harsh repayment conditions []
- Not good at all because as they put me into serious Debts []
- I cannot judge []

SECTION E

VIEWS OF PSWs ON THE RELEVANCE OF INCREASED FINANCIAL ACCESSIBILITY THROUGH MFIs

24. Are you happy with the services provided by the micro-financial institution you last contracted a loan from?

- Yes []
- No []
- Am not sure

25. If you were to contract another loan from a micro-financial institution, would you consider the same institution you dealt with on the previous loan?

- Yes []
- No []

26. Do you think these lending institutions provide a service when you most need financial assistance?

- Yes []
- No []

27. If NO to question 26, why would you consider a different institution?

- I was not happy with the transaction []
- I was over charged on the interest []
- I was not well informed when getting the loan []
- Interest rates are too high []
- Other (specify).....

28.How would you rate one of the institutions where you got a loan from in terms of providing advice on their services?

Excellent []

Fair []

Poor []

Very poor []

29.Do you think these lending institutions are putting workers in chains of debts (indebtedness)?

The clients themselves (PSWs) []

The government (employer) []

30.If you have something that you wish this researcher to take note of about MFIs and the current study, kindly feel free to write it down below.

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

Thank you for answering the questionnaire.