AN ASSESSMENT OF THE EFFECTS OF MICRO FINANCE CREDIT ON PUBLIC SERVICE WORKERS: A CASE STUDY OF LUSAKA PROVINCE

BY

JANE MBUZI

A Dissertation submitted to the University Of Zambia in Partial Fulfilment of the requirements for the Degree of Master of Business Administration Management Strategy.

THE UNIVERSITY OF ZAMBIA

LUSAKA

2024

DECLARATION

I, Jane **Mbuzi**, do hereby declare that this work is my original work achieved through personal reading and research. This work has been never been submitted to the University of Zambia or any other Universities. All sources of data used and literature on related works previously done by others, used .in the production of this Dissertation have been duly acknowledged. I any omission has been made, it is not by choice but by error.

Signature: .... Date: ....

COPYRIGHT

APPROVAL

This Dissertation by **Jane Mbuzi** is approved as a partial fulfilment of the requirements for the award of the Degree of Master of Business Administration in Management Strategy.

Examiner One	Signature	Date
…………………………..	………..…………………	……………………
Examiner Two	Signature	Date
…………………………..	…………...………………	…………………
Examiner Three	Signature	Date
…………………………..	………………………….	……………………
Chairperson Board of Examiners	Signature	Date
…………………………..	………………………	……………………
Supervisor	Signature	Date
…………………………..	…………...……………	……………………

ABSTRACT

This study sought to assess the effects of microfinance credit on public service workers. The study was conducted in Lusaka province, with an extension of one district in Central Province. The study adopted a mixed research approach and used a concurrent nested research design. The data used in the study was collected using a mixed research approach through a survey and in-depth interviews. Data analysis was done using statistical packages for social sciences for quantitative data and a thematic approach for qualitative data. Regression, correlation, and analysis of variance were the main empirical analysis approaches for the quantitative data. The results have established a negative but insignificant effect of microfinance institution loans on the livelihood of households. The control variables of family size and salary scale also produced insignificant results. The study identified loose collateral requirements, less paperwork, and quick access to money as the factors that influence the preference of microfinance institution loans over bank loans by households. Despite the move to utilise more microfinance institution loans than bank loans, the study identified challenges that public service workers face when accessing loans from microfinance institutions. Long-distance coverage was one of the main challenges identified. Other challenges include poor access to internet facilities and low-income levels. The study therefore recommended that the government should improve the operating environment for microfinance institutions in order to attract many microfinance institution formations. This may reduce the long-distance challenge identified in this study. In addition, the study prescribed that microfinance institutions need to standardise their loan policies countrywide in order to attract many public service workers. The study also identified the need to set policies that would restrict borrowing from microfinance institutions. This will reduce overborrowing and, thus, the extent of loan defaults. Finally, the study recommends that other researchers extend the study to other sectors and improve the contribution to the body of knowledge on the subject matter.

Key Words: Micro-Finance Institution; Public service workers; Household Livelihood.

ACKNOWLEDGEMENTS

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 Professor. Erastus Misheng'u Mwanaumo for his guidance, skillful, and valuable insights during the entire course of study.

Undertaking this research could have been very difficult without the support and encouragement of my family and friends.

DEDICATION

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

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

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

INTRODUCTION

1.1 BACKGROUND

Before 1964, the underdevelopment of the financial sector in Zambia left a considerable number of creditworthy households like those of civil servants unable to access loans (Chibamba, 2009). Originally, for public service workers (PSWs) the demand for additional finance was met through salary advances. However, these proved too small to finance large expenditures (Bertrand et al, 2015). Low-income households tended to be excluded from accessing loans from banks because of the high risks, high transaction costs, relatively low profitability, and their inability to provide the required physical collateral (Tembo, 2014). The direct consequence was that they were not able to fully harness economic opportunities and lacked access to institutional credit for consumption smoothening, hence, continued to live in poverty (Ibid, 2014). It was this failure by the traditional banking institutions to successfully lend to the poor and low-income households that in part contributed to the proliferation of microfinance institutions in Zambia (Morduch, 1995).

According to the Bank of Zambia (2009), the Movement for Multiparty Democracy (MMD) government on coming into power liberalized the economy thereby paving the way for the rapid development and /or growth of the financial sector. This move also made it possible for Microfinance Institutions (MFIs) to be established and to grow in number (Ibid, 2009). The Bank of Zambia report (2015) stated that there were 36 MFIs licensed by the BOZ, of which 11 are deposit-taking made up of five developmental and six consumer-payroll lending MFIs. At present, the MFIs in Zambia are either Payroll based consumer lenders or Microenterprise lenders (Tembo, 2014). Central to this study, however, will be the payroll-based consumer lenders whose main customers are people in formal employment, especially the public service workers (Tembo, 2014). Access to loans has continued to grow steadily with 28% of personal loans stemming from MFIs, 68% of which are loans from the formal sector. Zambia's labour force is estimated to be 7.8 million with only 15% of the economically active adults being in formal employment with a typical salary of between K3, 000 and K18, 000 for civil servants (FinScope, 2009; Labor Force Survey, 2012). About 77% of these civil servants work in urban areas with Lusaka contributing almost half of the urban employees (Ibid, 2012).

Microcredit refers to the provision of small loans to the poor and/or low-income households to smoothen the process of them engaging in productive activities (Tembo, 2014). According to the Bank of Zambia (2010), the Zambian government through the Public Service Management Division (PSMD) and the Payment Management and Establishment Control (PMEC) entered an agreement with MFIs to facilitate the issuance and deductions of loans to public service workers. This was to be executed through the introduction of the Direct Debit and Credit Clearing (DDACC) system which is a simple, safe, and speedy way to automatically make and collect payments by electronic transfer subscriptions to and from a bank account. The purpose of such reforms was to improve the livelihood of Zambians. The scope of livelihood includes the ability to meet basic needs, access to education, health care, and other necessary amenities.

Once implemented, the DDACC system would to some extent mitigate the risks of giving microcredit to public service workers as in most cases they do not have to make the repayment (Ibid, 2010) physically or directly. Reduced risk means greater access to credit for civil servants. Consequently, there has been an increase in the number of public service workers who seek to and have been able to access micro-finance in Zambia. This microcredit was expected to play a critical role in terms of providing a safety net, consumption smoothening, improving the household livelihoods and alleviating the poverty of public service workers among other things (Tembo,2014).

Microcredit first came to prominence in the 1970s and was aimed at helping very poor households meet basic needs, at improving household economic welfare, at empowering women by supporting women's economic participation, and at promoting gender equity (Tembo, 2014). Microcredit differs from traditional banking in that it is aimed at a more marginalized group of borrowers and generally includes noncredit services (MIX, 2005). According to Okoye (2017), civil servants were classified as lower-paid with their incomes being slightly above the estimated food basket. Despite their low incomes, civil servants opt to get loans from MFIs with high interest. It is for this reason that this paper aims to assess the effects that MFIs have on the livelihoods of the civil service.

1.2 STATEMENT OF THE PROBLEM

According to the Bank of Zambia the number of MFIs has increased over the last couple of years. The biggest clientele for these MFIs are those in formal employment, especially public service workers. MFIs were meant to improve livelihoods of households and help alleviate poverty among low income households through quick access to finance for emergencies, investments, and entrepreneurship. However, this initiative has not achieved its intended purpose in Zambia. Some studies have actually shown that borrowers from micro finance institutions, especially public service workers, have had severe problems of indebtedness (Yunus, 2011). There is no sufficient evidence for Zambia. As such, the role that microfinance institutions are playing in improving the living standards of their beneficiaries through improved access to finances is still uncertain in Zambia. And because microfinance institutions and other informal financial service providers enjoy a relatively greater bargaining power in relation to other financial institutions in Zambia, in terms of conditions under which services are provided, they do not allow clients to fully harness economic opportunities. Therefore, their contribution to financial literacy and creation of sustainable mutual relationships between them (MFIs) and their clients (public service workers) remains limited. This raises the question of the effect that microcredit has had on public service workers in Zambia and the potential effect that remains untapped. In view of this, this study attempted to establish and evaluate the effect that microcredit has on Lusaka based public service workers.

1.3 Aim of the Study

The aim of the study is to evaluate the impact of microfinance credit on the household livelihoods of public service workers in Lusaka District.

1.4 Research Objectives

1.4.1 General Objective

1. To assess the effects of microcredit on public service workers in Zambia.

1.4.2 Specific Objectives

- **(i)** To explore reasons public service workers, borrow from micro finance institutions.
- (ii) To identify the challenges faced by public service workers in accessing micro finance loans.
- (iii) To assess the effect microfinance loans has on the public service workers' households' livelihood.

1.5 Research Questions

- (i) Why do public service workers borrow from micro finance institutions?
- (ii) What challenges are faced by public service workers in accessing micro finance loans?
- (iii) How does microcredit affect public service workers' household livelihoods?

1.6 Significance of the Study

This study, though intended for academic purposes, provided empirical evidence on the effects that microcredit has on PSWs in Zambia. Furthermore, it supplemented the already existing literature on the effects of microcredit on PSWs thus paving the way for further research. The findings of this study would raise stakeholder awareness of the operations of micro-finance institutions, providing insight into the behaviors of borrowers so as to understand what can be done to assist in handling the challenges that will be identified and, information which can be used by the central bank to formulate policies, and regulate the operations of micro-finance institutions. Coupled with the above, the study will illustrate how Zambia's economy has benefited from the operations of MFI and the effects that their operations have had on the PSWs livelihoods. The study will also provide practical and theoretical solutions to the challenges faced by public service workers in accessing and paying back micro finance loans.

1.7 Rationale of the Study

The aim of this study was to evaluate the impact of microfinance credit on the household livelihoods of public service workers in Lusaka District. The rationale for conducting this research was based on several key factors.

(i) **Economic Empowerment**: Microfinance has been widely recognized as a tool for economic empowerment, particularly for individuals and households with limited access to traditional banking services. By assessing the effects of microcredit on public service workers in Zambia, this study seeks to understand how microfinance initiatives contribute to the financial well-being of this specific demographic.

(ii) **Borrowing Behavior:** Understanding the reasons behind why public service workers opt to borrow from microfinance institutions is crucial for identifying the underlying motivations driving their financial decisions. By exploring these reasons, the study aimed at shedding light on the financial needs and priorities of public service workers, ultimately informing the design for more tailored financial products and services.

(iii) **Accessibility Challenges:** Despite the potential benefits of microfinance, accessing loans from microfinance institutions may pose challenges for public service workers. Identifying and examining these challenges is essential for addressing barriers to financial inclusion and ensuring equitable access to microcredit among different segments of the population.

(iv) **Impact on Household Livelihoods:** The primary objective of this study was to assess the effect of microfinance loans on the household livelihoods of public service workers. By evaluating the tangible outcomes of microcredit utilization, such as income generation, asset accumulation, and poverty alleviation, the research aimed at providing empirical evidence of the socio-economic impact of microfinance initiatives on target beneficiaries.

(v) **Geographical Focus:** Lusaka District serves as the geographical setting for this study due to its significance as the capital city of Zambia and its dense population of public service workers. By focusing on this specific location, the research aimed at generating contextually relevant findings that can inform policy and be practiced at the local level, potentially leading to targeted interventions aimed at improving the financial well-being of public service workers and their households.

1.8 Scope of the study

This study aimed at assessing the impact of microfinance credit on the household livelihoods of public service workers within Lusaka Province. The research involved a sample size comprising 50 primary respondents who have availed loans from at least one Microfinance Institution (MFI), alongside 5 key informants selected from the top 5 MFIs based on respondents' preferences. Data collection was conducted through the distribution of an online questionnaire via Google Forms and email, utilizing an editable PDF format for ease of response submission. Due to limitations in both time and financial resources, the study only focused exclusively on 5 selected MFIs, each providing 10 respondents and one key informant. Geographically, the study was confined to Lusaka District. The research spanned a duration of three weeks, commencing from the 1st to the 18th of March 2022, allowing ample time for respondents to participate. It's imperative to note that the study adopted a household-based approach in its questioning methodology.

1.9 Summary

This chapter presented the background to the problem. Highlighting the effects of microcredit on public service workers. The chapter further presented the statement of the problem together with the research purpose, objectives, questions, and the significance of the study.

The next chapter provides a review of effectiveness literature for the purpose of not only positioning the study in the context of current knowledge, but also identifying gaps in current knowledge; hence justifying the need for the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Public service workers often face unique challenges when seeking credit finance due to the nature of their employment and income stability. This literature review examines various sources of credit finance available to public service workers and usage of small loans and how this affects the lives of low income household members (PSWs). It focuses on empirical studies that explore their accessibility, affordability, and implications. The literature examined is related to; factors compelling PSWs to borrow from MFIs, challenges faced when accessing these loans, and the effect that microfinance loans have on the PSWs livelihoods. This chapter under the subheadings highlighted above will review and highlight what other studies have found and the methods they used in their analysis both within and outside Zambia.

2.2 Sources of Credit Finance for Public Workers

As the financial sector has continued to grow there are a number of sources from which PSWs are able to access credit from such as Banks & credit unions, Government Credit programs, Peer to Peer Leading platforms ,Employee and Assistance Programs.

2.2.1 Banks and Credit Unions

Banks and credit unions are traditional sources of credit finance for public service workers. A study by Adams et al. (2018) analyzed the lending practices of banks and credit unions towards public servants. They found that while banks tend to offer more stringent criteria and higher interest rates, credit unions often provide more flexible terms and lower rates, making them a preferred choice for many public service workers.

2.2.2 Government Employee Credit Programs

Government employee credit programs are tailored financial products designed specifically for public service workers. In a study by Williams and Brown (2019), the accessibility and affordability of such programs were examined. They found that these programs often offer competitive interest rates and favorable terms due to the stable employment of public service workers. However, limited awareness and eligibility criteria can hinder access for some employees.

2.2.3 Peer-to-Peer Lending Platforms

Peer-to-peer lending platforms have emerged as alternative sources of credit finance for public service workers. Research by Chen et al. (2020) investigated the usage patterns and outcomes of public servants accessing credit through peer-to-peer lending. They found that while these platforms offer quick access to credit with less stringent requirements, the interest rates can be higher compared to traditional lenders, potentially exacerbating financial vulnerability among public service workers.

2.2.4 Employee Assistance Programs (EAPs)

Employee assistance programs offered by government agencies provide financial counseling and support to public service workers. A study by Johnson and Garcia (2017) evaluated the effectiveness of EAPs in addressing the credit needs of public servants. They found that while EAPs can provide valuable resources and guidance, there are limitations in addressing the systemic issues of credit access and affordability faced by public service workers.

2.3Reasons for Borrowing from Micro Finance Institutions

A study called conducted by Stark (2005) in Zambia revealed that most individual money lenders operated from urban areas but were also present in rural areas. It further suggested that their clientele such as low-income households borrowed to meet a wide range of needs such school fees, medical fees, funeral expenses, and small business assets among others. The study also noted that that most MFIs had several predatory practices such as providing incomplete information to the borrowers and exploiting their lack of knowledge regarding the loan terms to ensure that loan contracts disproportionately favored the lender. The result was that the borrowers had trouble repaying their debts which significantly undermined their wealth and welfare. The study also found that in most countries, Zambia inclusive, predatory practices of MFIs had not been addressed from a legal point of view and attributed the proliferation of such practices to lack of enough regulation of the sector. It revealed that though the Bank of Zambia in 2006 introduced microfinance regulations that obligated all MFIs in the country to be licensed, the move was not enough because further regulation was required to effectively monitor the manner in which MFIs conducted their business.

Bertrand et al (2015) argued that there are a number of reasons why civil servants access microcredit in Zambia. Often times they lack the physical collateral needed to obtain money from traditional Banking institutions. Consequently, they resort to MFIs to be able to smooth their cash flows, consumption and cover their expenditures (Ibid, 2015). Bertrand further highlighted that civil servant borrows from MFIs in order to; purchase land, construction and repair of houses, purchase of motor vehicles and household furniture, paying for funeral expenses, and for investment in education and enterprises with the aim of generating additional income to supplement their low salaries.

Lewis (2004) presented an account of the impact of microcredit on poverty and empowerment, asserting that businesswomen borrowers use the income generated by their businesses to improve their own living conditions and those of their families. Profits are spent on food and clothes for children, housing, or school fees for children**.**

2.3.1 Challenges in Accessing Micro Finance Loans

Kim (1995) study conducted on the access to credit, term of housing finance and affordability of housing stated that; given that the poorest people manage to mobilize resources to develop their enterprises and their households slowly over time, the financial services offered by MFIs could enable them to leverage their initiative, accelerating the process of building incomes, assets, and economic security. The study went on to reveal that the situation, however, was such that the conventional finance institutions seldom lend down-market to serve the needs of low income families and women-headed households 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, large number of small loans are needed to serve the poor hence lenders prefer dealing with large loans in small numbers to minimize administration costs and tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation.

Mandiwa (2014) in a study on access to financial services in Malawi stated that the poor are usually placed at a disadvantage in accessing financial services due to the remote areas they reside in. The high level of poverty of these households is further exacerbated by insufficient government policy intervention especially regarding credit programmes to increase poor household's income and enhance quality of life (Ibid, 2014).The study also revealed that Malawi lacks a proper National Identification System that poses a challenge as most financial institutions fail to identify their customers (Mandiwa ,2014) .Furthermore ,the lack of competition within the financial system may also be one possible explanation for the high level of financial exclusion in the country.

Leach and Sitaram (2002) suggested points supporting why women should be provided with loans to fund their businesses. They argued that women are disproportionately represented amongst the poorest in society and are in more need of help as compared to men, as far as securing sustainable livelihoods is concerned. Women are discriminated against in the formal labor market, so end up looking for other sources of income within the informal sector. Mayoux (1999) suggest that repayment rates on loans and contributions to family well-being are often higher among women than among men. Thus, implying there would be no basis to screen women borrows along the lines of risk of repayment.

Small Businesses face many challenges in undertaking their businesses operations in comparison to large organizations. The greatest among the difficulties is access to funds in financing start-up or for expansion of existing business. Lending to small businesses or entrepreneurs stay restricted because formal financial institutions feel reluctant to offer credit to the sector due to their high risk nature, small portfolios and high transaction cost of processing small loans (Schaffer and Weder 1991, Cuevas et al., 1993). Aryeetey et al (1993) also shares the view that lenders face information asymmetry problem on borrowers and this increases transaction cost and interest rates since the probability of default is presumed to be high and provisions had to be made to combat it.

Research had again shown that to do loan screening, credit analysis, making decision, supervising, and enforcing loan contract with small businesses take longer days and cost higher than with larger businesses.

2.3.2 Impact on Public Service Workers' Livelihoods

Tembo (2014) conducted a study on the Effects of salary-based microfinance lending on Public Service Workers in selected Government Ministries of Lusaka City. The study found that that PSWs were aware of the possible difficulties they would face by contracting loans from MFIs, but most 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. Despite the common perception that most of the people who access funds through MFIs are likely to benefit and improve their livelihood, Tembo (2014) proved that this is not the case with PSWs in Zambia because microfinance has not been an effective tool for improving the welfare of its clients. Additionally, the study revealed that MFIs provided temporal relief and were condemned because of their high interest rates, ineffective regulation of the sector, unsustainable lending leading to continued indebtedness of clients, especially PSW.

Copestake (2002) did a study on the Copperbelt that focused on how the effects on income distribution depends on who obtains loans, who graduates to larger loans, and group dynamics. The study found that 65% of borrowers were living under the poverty line and 50% were within the standards of extreme poverty. These rates, however, had fallen to 59% and 39% respectively at the time the study was conducted. The study concluded 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.

According to the 2015 Labour Force Survey, the total number of formally employed persons in Zambia was 900,000 with 500,000 working in the private sector, 270,000 working for central and local government, 60,000 for parastatals 70,000 working for NGOs and other entities. And according to a study by Fraser et al (2015) on the support for Bank of Zambia in relation to credit market regulation, payroll loans account for one third of all Zambian banking system loan value, and that payroll lending is regulated by a voluntary decision by lenders and employers to limit total payroll loan and non-loan deductions to 60% gross pay in line with the PSWs payroll deduction threshold. Nevertheless, this threshold has proved to be too high for some households hence the levels of indebtedness increasing.

In addition, Njavwa (2019) argued that though it is understood that many of these households have additional sources of income, any secondary sources of income are unlikely to be as large or as stable as any primary employment income. The implication being that a growing number of middle-class families in Zambia have reduced their relatively stable financial situation. The interest cap that was imposed by BOZ in 2013 caused MFIs to increase their loan sizes and loan terms to maintain repayment affordability but had the unintended consequence of increased levels of indebtedness.

Morduch and Haley (2002) conducted a study in Indonesia, China and Bolivia which advanced that micro-finance is an instrument which under the right conditions fits the needs of a broad range of the population including the bottom half of people living below the poverty line and that the exclusion criteria for instance on the basis of mental illness did not limit the operations of MFIs. The study found that microfinance has a substantiating benefit on income smoothening and increasing income and that the poorest can benefit from microfinance both from an economic and social point of view without jeopardizing the financial sustainability of MFIs (Morduch and Haley, 2002). Whilst there are arguments against extending microcredit to the poor, there is little empirical evidence to support this position.

According to the EBRD Impact Brief (2015) in a study titled The Impact of Microcredit Evidence from Across the World, microcredit did not lead to substantial increases in borrowers' incomes neither did it help to lift poor households out of poverty. Furthermore, access to microcredit did not appear to have a tangible effect on borrowers' wellbeing or the wellbeing of others in their households. For instance, three of four studies found no effect on female decision-making power and independence. In Mexico, where the MFI emphasized empowerment, women did enjoy a small but significant increase in decision-making power (EBRD Impact Brief, 2015).

Hopes et al (2002) carried out an evaluation of micro-finance programmes in Kenya and showed that repeated access to micro-finance loans made a difference at the level of enterprises, households, and individuals, and that microcredit helped women to keep going in difficult times, to increase the number of employees of their business, to significantly improve their profitability and turn over and to increase their stocks in order to remain in business. Furthermore, women who had repeatedly borrowed from micro-finance enjoyed better housing facilities than those who borrowed only once or not at all.

Agbaeze and Onwuka (2014) carried out research on the impact of micro-credit on poverty alleviation in Nigeria and the study revealed that microcredit is crucial for poverty alleviation in the rural areas and that the quantum of microcredit available to rural dwellers is still not enough to lift them out of poverty.

Mayoux (2001) stated that while micro-finance had much potential, the main effects on poverty have been: credit making a significant contribution to increasing incomes of the better-off poor; including women and microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Simanowitz (2001) argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty, it depends what the poor do with this money; oftentimes it is gambled away or spent on alcohol according to Wright (2017). So, focusing solely on increasing incomes is not enough, the focus needs to be on helping the poor to "sustain a specified level of well-being".

Mishi and Kapingura (2012) conducted a study on women's access to microfinance and poverty alleviation in Zimbabwe which revealed that access to financial services has improved the status of women within the family and the community. Women accessing finance become more assertive, confident, and more visible and are better able to negotiate the public sphere (Ibid, 2012). Furthermore, sizable amounts of profits from the women owned and ran enterprises are going towards education and health of the family. Mayoux (2001) stresses that there is a positive relationship between microfinance credit and women's empowerment and that increasing women's access to micro-finance will advance women in addressing gender inequalities.

2.3.3 Benefits of Using Micro-financial institutions for accessing credit facilities

Micro-financial institutions (MFIs) have gained significant attention for their role in providing financial services to low-income individuals and microenterprises. Some of the benefits of using micro-financial institutions for credit facilities include the following:

2.3.4 Poverty Alleviation

Numerous studies have examined the relationship between MFI loans and poverty alleviation. Banerjee et al. (2015) conducted a randomized control trial to assess the impact of microcredit on poverty levels. Their findings indicated that access to microcredit through MFIs led to a significant increase in income-generating activities among borrowers, ultimately contributing to poverty reduction.

2.3.5 Financial Inclusion

MFIs play a crucial role in promoting financial inclusion by providing access to financial services for underserved populations. A study by Ledgerwood (2019) examined the outreach of MFIs to marginalized communities and found that these institutions often reach areas where traditional banks are absent, thereby fostering financial inclusion among low-income individuals.

2.3.6 Economic Empowerment

Empirical research suggests that MFI loans empower borrowers, particularly women, by enabling them to start or expand small businesses. Rahman and Rashid (2017) conducted a qualitative study in Bangladesh, revealing that access to MFI loans empowered women borrowers to generate income, build assets, and gain greater control over household finances.

2.3.7 Mitigation of Financial Vulnerability

MFIs often offer flexible loan terms and smaller loan sizes, which can help borrowers cope with financial shocks and mitigate vulnerability. Karlan and Valdivia (2016) investigated the impact of MFI loans on coping strategies during financial crises. Their study revealed that MFI borrowers were better equipped to handle unexpected expenses and income fluctuations compared to non-borrowers.

2.4. Theoretical framework

The theoretical framework employed in the study endeavors to showcase the relationship between micro credit and household livelihood among public service workers in Lusaka Province.

2.4.1. Sustainable Livelihoods Approach (SLA)

The Sustainable Livelihoods Approach provides a comprehensive framework for understanding the multiple dimensions of livelihoods and the strategies households employ to improve their well-being. According to SLA, livelihoods comprise five key assets: human, social, natural, physical, and financial capital (DFID, 1999). Microfinance credit can be seen as a tool that enhances households' financial capital, thereby influencing their overall livelihood outcomes.

The Sustainable Livelihoods Approach (SLA) is a comprehensive framework developed by the United Nations and other development organizations to understand and enhance the livelihoods of individuals and communities in the context of sustainable development. This approach emphasizes the multi-dimensional nature of livelihoods, recognizing the interplay between economic, social, human, natural, and institutional assets. In the context of the effects of microfinance credit on public service workers' household livelihoods, the SLA offers valuable insights into how microfinance interventions can contribute to sustainable improvements in livelihood outcomes. This write-up will delve into the key concepts, principles, and linkages of the SLA to the topic, drawing upon a range of scholarly sources.

The Sustainable Livelihoods Approach comprises five key assets or capitals:

Human Capital: This includes skills, knowledge, and health of individuals, which are essential for engaging in productive activities and accessing opportunities.

Social Capital: Refers to the networks, relationships, and social support systems within communities, which enable collective action, information sharing, and access to resources.

Natural Capital: Encompasses natural resources such as land, water, and biodiversity, which provide the basis for livelihood activities and ecosystem services crucial for human well-being.

Physical Capital: Includes infrastructure, technology, and assets such as housing and equipment, which support economic activities and enhance productivity.

Financial Capital: Involves access to financial resources, including savings, credit, and investments, which enable households to cope with shocks, invest in productive assets, and build resilience.

2.4.2 Principles of the Sustainable Livelihoods Approach

The SLA is guided by several principles:

(i) **Holistic and Participatory:** Recognizes the complex interactions between different livelihood assets and involves stakeholders in identifying priorities and designing interventions.

(ii) **Sustainability:** Focuses on long-term improvements in livelihoods while safeguarding natural resources and social cohesion for future generations.

(iii) **Empowerment and Equity:** Seeks to enhance the capabilities and opportunities of marginalized groups, promoting inclusive and equitable development.

(iv) **Dynamic and Adaptive:** Acknowledges the dynamic nature of livelihoods, requiring flexibility and adaptability in response to changing socio-economic and environmental conditions.

Microfinance credit programs have the potential to contribute significantly to the enhancement of public service workers' household livelihoods through various mechanisms aligned with the principles of the SLA:

Financial Capital Enhancement: Microfinance loans provide access to financial capital, enabling public service workers to invest in income-generating activities, smooth consumption, and build savings for future needs (Adams et al., 2018).

Human Capital Development: Microfinance institutions often offer financial literacy and entrepreneurial training, which enhances the human capital of borrowers, equipping them with the skills and knowledge necessary for successful business management and decision-making (Karlan & Valdivia, 2016).

Social Capital Formation: Participation in microfinance groups fosters social capital by building trust, solidarity, and cooperation among borrowers, facilitating collective action, risk-sharing, and information exchange (Woolcock & Narayan, 2000).

Sustainability and Resilience: By promoting diversified livelihood strategies and asset accumulation, microfinance interventions contribute to the long-term sustainability and resilience of public service workers' households, reducing vulnerability to economic shocks and environmental stresses (Chen et al., 2020).

Inclusive Development: Microfinance programs often target marginalized populations, including women and rural communities, aligning with the SLA's principles of empowerment and equity by expanding access to financial services and opportunities for socio-economic advancement (Rahman & Rashid, 2017).

2.4.3. Social Capital Theory

Social Capital Theory emphasizes the role of social networks, relationships, and trust in facilitating access to resources and achieving collective goals. Microfinance institutions often rely on social capital within communities to mobilize savings, disseminate information, and enforce loan repayment (Putnam, 1993). Public service workers' participation in microfinance groups may strengthen their social networks, leading to improved access to credit and knowledge-sharing, which can positively impact household livelihoods.

Social Capital Theory, originating from the works of Pierre Bourdieu, James Coleman, and Robert Putnam, focuses on the value embedded in social relationships, networks, and trust within communities. It emphasizes the role of social connections in facilitating cooperation, resource exchange, and collective action, thereby influencing individual and collective outcomes. This theory posits that social capital, categorized into bonding, bridging, and linking forms, contributes to community resilience, economic development, and overall well-being. This theory is important to the current undertaking in the following ways:

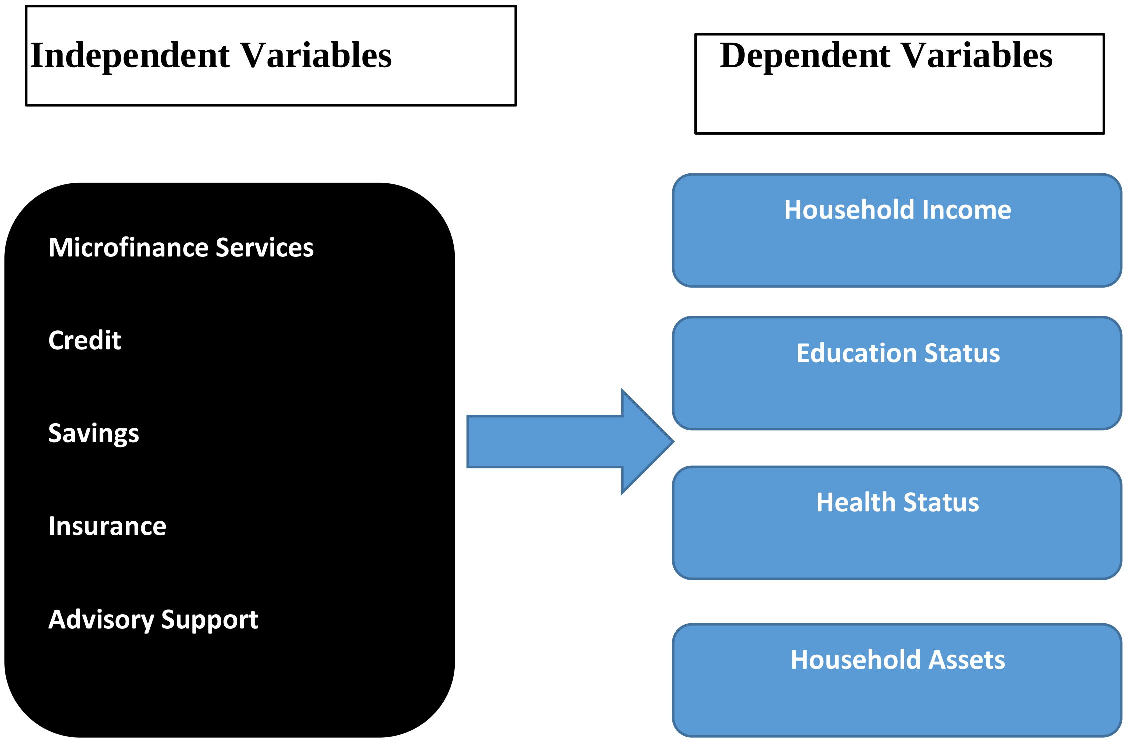
Enhanced Access to Resources: Microfinance credit can strengthen the social capital of public service workers by providing access to financial resources. According to Putnam (2000), social capital facilitates access to resources through networks and social connections. By accessing microfinance credit, public service workers can expand their financial resources, enabling investment in education, healthcare, or entrepreneurship, thereby improving household livelihood.

Building Social Networks: Microfinance interventions often involve group-based lending models, fostering the formation of social networks among borrowers. As noted by Coleman (1988), social networks facilitate the flow of information and resources, enhancing economic opportunities. Through participation in microfinance groups, public service workers can establish social connections, exchange knowledge, and support each other, thereby enhancing their household livelihood.

Empowerment and Collective Action: Microfinance credit empowers public service workers to take control of their financial affairs and engage in collective action. According to Woolcock and Narayan (2000), social capital contributes to empowerment and collective mobilization within communities. By accessing microfinance credit, public service workers can invest in income-generating activities, collective savings, or community projects, leading to improved livelihood outcomes for their households.

Trust and Reciprocity: Microfinance credit operates based on principles of trust and reciprocity, essential components of social capital. As highlighted by Nahapiet and Ghoshal (1998), trust facilitates cooperation and reduces transaction costs within social networks. Public service workers, by participating in microfinance programs, build trust with lenders and fellow borrowers, fostering a conducive environment for financial transactions. This trust enables access to credit and promotes timely repayment, ensuring the sustainability of microfinance initiatives and positive outcomes for household livelihoods.

2.5 CONCEPTUAL FRAMEWORK



2.5.1 Definition of variables

Microfinance service: Microfinance is a small loans provided to the poor and vulnerable people without requiring any collateral (Dhakal & Nepal, 2017; Dhungana, 2020).It includes loans, savings, insurance, transfer services and other financial services (Sharma, 2005).Grameen Bank is a popular and leading MF model in the world withits innovative and successful group-based credit program for the rural poor(Khandker, Khalily & Khan 1994).Parallel to its group-based credit and savings process, Grameen Bank has developed a comprehensive social development program (Khan and Rahaman, 2007) which has positive impact on the lives of the poor (Chirkos, 2014; and Dednu, 2021). Living standard: Living standard is the availability of capital to generate sufficient income to get the foods for him and their children, facility of communication, better housing facility, education of children, transport facility, health and medication and clothing for children etc. (Marx, 1981). Similarly, microfinance is now using as a tool to increase the living standard of poor community (Akram & Hussain, 2011; Khandker, 2005 and Idowu & Oyeleye, 2012). It is the dependent variable of the study which is categorized under four basic indicators (i.e. education, health status, household income and ownership of assets). These indicators have also been applied by various researchers in order to examine the impact of microfinance. So, these indicators have been selected in order to examine the impact of microfinance on living standard of MFI's clients in Bhirkot Municipality.

2.5.2 Household income: Income is one of the important elements of living standard as well as of savings.The MFIs are providing loans to the poor not only to increase their income but also to mobilize their savings (Khan & Rahaman, 2007; Muharremi et al. 2018; &Chirkos, 2014). Reji (2009) found that the members were encouraged to set up their own income generating activities like dairying and broiler rearing,tailoring unit, teashop, etc.MF has positive impact on income of the poor people(Rahman and Ahmad 2010); Adhikari and Shrestha, 2013;Padhaya,2017; Chapagain and Aryal, 2018). Micro-credit programmes have been able to bring about a marginal improvement in the beneficiaries' income (Chavan and Ramakumar, 2002; Teng, Prien, Mao and Ling, 2011; &Dhungana, 2014).

2.5.3 Education status: Since microfinance is considered as a significant tool for social transformation, it has been assumed that educational status of the clients and her family enhances after MF intervention. Once the economic aspects of clients are upgraded, it will obviously help to improve educational status of the clients' family (Adhikari & Shrestha, 2013; and Dhungana, 2014). Microfinance is also expected to improve the possibility of additional expenditures in education of beneficiaries' household members. Asmelash (2003) captured the annual household expenditure on education and the average number school age children attending school. Microfinance programs have positively affected school enrolment and educational improvement (Khan and Rahaman, 2007; Centre policy for studies, 2004).

2.5.4 Health status: MFI also used to support emergency health care as livelihood needs (Johnson and Roglay 1997). Different indicators has been measured the health status the clients and her family includes awareness and priority in health, habit of using nutritious food/balance diet, habit of using safe drinking water, use of immunization/medicine, habit of using traditional healers, habit of periodical visit for health check-up at health institutions, awareness of family planning, and environmental/sanitation awareness of clients and her family (Asmelash, 2003; Dhungana, 2014; & Tariq, Aleemi and Iqbal, 2015).Microfinance programs improve poor people's access to healthcare services and make health-related precautionary measures more affordable, although few studies have proven this connection. (Adhikari & Shrestha 2013; and Centre policy for studies, 2004) found that microfinance helps in access of healthcare services to poor people.

2.5.4 Household assets: Ownership of durable household assets is regarded as indicator of improvement in the households' welfare. Household durable assets, such as furniture and appliances, represent improvement in the quality of life (Asmelash, 2003;Panda 2009).Reji (2009) noted that a considerable number of respondents acquired furniture, electronic goods and household vessels, business related assets, involving livestock, sewing machine, and work-related implements. Microfinance has a positive effect on ownership to household assets (Idowu& Oyeleye, 2012; Wook& Laila, 2019; and Kaboski & Townsend, 2005).

2.6 Chapter Summary

The literature review delves into the multifaceted landscape of credit finance options available to public service workers (PSWs) and the ramifications of microfinance loans on their household livelihoods. It meticulously examines the accessibility, affordability, and implications of various credit sources, encompassing traditional avenues like banks and credit unions, government employee credit programs, as well as emerging platforms such as peer-to-peer lending. Shedding light on the reasons behind PSWs' recourse to microfinance institutions (MFIs), the review exposes prevalent challenges including predatory practices and regulatory constraints. Furthermore, it elucidates the hurdles PSWs encounter in accessing microfinance loans, ranging from geographic disparities to gender biases and high transaction costs. While uncovering the complex impacts of microcredit on PSWs' welfare, the review underscores its potential to alleviate short-term financial strains yet warns of its propensity to deepen indebtedness and exacerbate inequalities. Ultimately, it underscores the pivotal role of MFIs in fostering economic empowerment, financial inclusion, and resilience among PSWs and their households.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in this study. The structure of the chapter starts with the presentation of the research approach as well as a research design. The population and sampling techniques are also presented in this chapter. In addition to the mentioned sections, the chapter also presents the analysis procedures as well as ethical consideration.

3.2. Research Approach

This study adopted a mixed research approach. This approach was preferred because of the scope that the study took. In addition to establishing the effects that micro finance facilities have on the household livelihood, the study also sought to establish the reasons for household's demand for loans. Furthermore, the study sought to identify challenges that households face in accessing these credit facilities. This made the mixed research approach appropriate as it combines quantitative and qualitative data and approaches.

3.3. Research Design

The study adopted a concurrent nested research design. This design is appropriate for a mixed research approach that combines the qualitative data and quantitative data. The design allows the researcher to collect qualitative and quantitative data at the same time and the analysis leans much on one side but allow the researcher to nest the results with the other approach. For this study, quantitative approach was the main approach, and it was nested with the qualitative approach. The researcher was able to quantitatively analyze the results and nest the qualitative findings into the analysis.

3.4. Study Population

The population that was targeted in this study involved public service workers who have had access to loans from the selected micro finance institutions. The study also involved all the micro finance institutions registered in Zambia. From this financial institution, a data base of the public service workers who accessed loans from them was collected to form the sampling frame.

3.5. Sampling Design and Technique

The procedure for sampling started with the selection of 5 random micro financial institutions (MFIs), registered in Zambia, domiciled in Lusaka province. Lusaka province was chosen because of the ease with which the data was compiled and stored by the micro financial institutions. The researcher then sampled 66 public service workers (PSWs) from the MFIs and the size of the selection from each MFI was proportional to the size of PSWs being serviced at each particular MFI. In addition, 5 key informants were interviewed from each of the 5 MFI. These were selected based on the most common among the responses from the PSWs interviews.

The study adopted a probability sampling technique. Specifically, the design involved a random selection of the sample elements from the sampling frame that involved, first the MFIs and then PSWs who accessed loans from the selected MFIs. For privacy reasons, the MFI’s only provided contact numbers for the PSW to be included in the sampling frame. This is also to ensure that we compare the phone numbers across the whole sample to avoid having the same person being interviewed under different MFIs.

3.6. Data Collection Techniques

This study used both primary and secondary data. Primary data was collected using a questionnaire developed for both the PSWs and the MFI key informants. The questionnaire was administered electronically with the help of the MFIs. The questionnaire was scripted using Google Form and filled and submitted online. This means that the questionnaire was self-administered.

3.7. Data Analysis Techniques

To analyze the data that was collected, the study used two methods of data analysis. The quantitative data was analyzed using the Statistical Package for the Social Sciences (SPSS). The analysis involved regression and correlation analyses. Through correlation analysis, evidence of significance for the relationship was tested. Generally, the study analyzed an ordinary least square regression model that took the specification below. Qualitative data was analyzed using thematic analysis. Data was first organized into themes and then analyzed through similar content grouping.

$$Ln\left(\frac{P}{1-P}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + ... + \beta_k X_k$$

Formular 3.1

Where the left-hand side expression [log (p / 1− p)] represents the log likelihood and **P** is the target or dependent variable,

β0 represents the constant or point of intercept on the graph when all independent variables (**Xi**) are equal to zero,

βi's are the coefficients of independent variables.

The dependent variable will be whether or not a household observed an improvement in livelihood during the tenor of the loan. Since parameter estimates only show direction of association between regressors and regressands, discussions will instead focus on marginal effects for significant variables.

3.8. Validity And Reliability

Ensuring validity in a study is crucial to ensure that the findings accurately reflect the phenomenon being investigated and can be trusted by stakeholders. In the context of assessing the impact of microcredit on public service workers' livelihoods in Lusaka Province, Zambia, several steps were taken to enhance validity:

Methodological Triangulation: To increase the credibility of the findings, both quantitative and qualitative methods were used. This triangulation of methods allows for a comprehensive examination of the research questions from different perspectives, providing a more robust understanding of the phenomenon under study.

Participant Selection: Careful consideration was given to the selection of participants to ensure they are representative of the target population. Random sampling was employed to ensure diversity across different public service sectors in Lusaka

Province. This approach helps minimize selection bias and ensures that the findings can be generalized to the broader population of public service workers in the province.

Data Collection Instruments: Validated survey instruments were used to collect quantitative data from public service workers. These instruments were pre-tested to ensure clarity, comprehensibility, and relevance to the research objectives. Additionally, semi-structured interview guides were developed for qualitative data collection, ensuring that all relevant topics were covered while allowing for flexibility to explore emerging themes.

Data Analysis: Rigorous data analysis techniques were employed to ensure the trustworthiness of the findings. Quantitative data were analysed using appropriate statistical methods, with checks for data quality and consistency. Qualitative data were analysed thematically.

Member Checking: To further enhance the credibility of the findings, member checking was conducted, whereby participants were provided with summaries of the findings and given the opportunity to provide feedback or clarification. This process helps ensure that the interpretations accurately reflect participants' perspectives and experiences.

Reflexivity: Throughout the research process, reflexivity was maintained, with researchers critically reflecting on their own biases, assumptions, and preconceptions. This reflexivity helps mitigate potential researcher biases and enhances the validity of the interpretations.

For internal consistency, reliability was assessed for scales or constructs within the survey instruments using the Cronbach's alpha. This statistic indicates the degree to which items within a scale or construct are correlated with each other. High Cronbach's alpha values (>0.70) suggest that the items are measuring the same underlying construct consistently, enhancing the reliability of the instrument (Nunnally & Bernstein, 1994).

3.9. Ethical Consideration

This study was conducted in line with the research ethics. Ethical approval was obtained from the University of Zambia ethical committee. Among the ethics upheld include the ethics on the rights of the respondents. The researcher assured respondents of non-violation of their rights during the conduct of this study. The respondents were informed that they were free to drop out of the interviews if they felt that the process was making them uncomfortable. The researcher also upheld confidentiality ethics and assured the respondents of the same. Respondents were well informed that the study was being conducted for academic purposes only. In addition, the researcher avoided all sorts of harm to the research participants. These ethics helped to gather quality responses from the respondents.

3.10. Chapter Summary

Chapter three presented the methodology of the study, beginning with the research approach, research design, population Study, Sampling Design and Technique, Data Analysis Techniques, Validity and Reliability, and. ethical clearance.

CHAPTER 4

FINDINGS

4.1. Introduction

This chapter presents the results of the study. The results are nested together, with the quantitative results dominating the study. The presentation of the results begins with the socio-demographic characteristics of the respondents and then the empirical results follow. An analysis of the findings is also presented in the study.

4.2. Socio-Demographic Characteristics of the Respondents

The table 4.1 shows the demographic characteristics of the various clients that were interviewed during this study. The majority of the respondents were men (70%) and living in urban areas (58%) with an average household size of 7. Lusaka district had the highest proportion of respondents (100%), living in urban areas, whereas Chilanga had a mixture of residential locations but all its respondents being male. The study further showed that most of the respondents were monogamously married with the highest proportion coming from Chilanga (100%) and Chisamba (100%) and the lowest from Kafue (75%). Given that the targeted respondents were civil servants; it makes sense that all the respondents across all the targeted districts had attained some form of tertiary education. The respondents approximated that the closest Micro-Financial Institution (MFI) was 20 Km from their homes, with the furthest recorded in Chisamba and the nearest in Lusaka.

The Table 4.1 focuses on those. On average, urban households had obtained about 27% more loans than rural households. In fact, urban areas had higher defaults and active loans than the rural areas. The urban areas had 20% more active loans than rural areas. This was due to factors such as high cost of living in urban areas, little to no assets of value that could be liquidated in urban areas compared to rural areas whenever need for cash arose, limited sources of income among others. There was about 1 loan defaulted in urban areas and 1 loan in rural areas.

Table 4. 1: Socio-Demographic and economic characteristics

Characteristics	Total/Average	Chilanga	Chisamba	Chongwe	Kafue	Lusaka	Rufunsa
			Residential area				
Rural	42%	57%	86%	50%	44%	0%	75%
Urban	58%	43%	14%	50%	56%	100%	25%
Household size	7	8	6	7	6	6	8
			Sex				
Female	30%	0%	43%	30%	44%	28%	25%
Male	70%	100%	57%	70%	56%	72%	75%
Age	42	48	35	43	43	39	45
			Marital status				
Monogamously married	86%	100%	100%	90%	75%	83%	88%
Polygamously married	2%	0%	0%	0%	0%	6%	0%
Single	6%	0%	0%	0%	13%	11%	0%
Widowed	6%	0%	0%	10%	13%	0%	13%
			Education level				
Tertiary	100%	100%	100%	100%	100%	100%	100%
Distance to MFI	20	18	27	21	19	15	26

About 23% of households that obtained loans from MFIs indicated that they had defaulted their loans at least once. The defaults recorded in both urban and rural areas was due to a lot of fators cited by the defaulters. The number one factor was the high interest rate charged on the loans which eventually becomes burdensome to the borrowers. Others had too many loans running at the same time with different MFIs and only had one source of income to service their loans. This explains why many felt their use of the loan money did not have return on investment because as shown earlier, only 34% used their income to invest in some revenue generating activities. Due to the Covid-19 pandemic, some households experienced a drop in cash in-flow. This was not only unique to specific people, it was a global problem. Others just borrowed beyond their repayment capacity. Sometimes, defaulting may lead to loss of assets as some MFI grab assets as a means of recovering their loans. About 17% of the households that had defaulted cited having lost an asset due to defaulting loans. Of these, 55% were from urban areas.

4.3. Empirical Results

4.3.1. Mfi Loans And Household Livelihood

This study sought to assess the effect that MFI loans has on the household's livelihood status. To do so, the author categorized the situations into three groups, viz. improved livelihood, no change in livelihood, worsened livelihood. Other control variables included the family size and the income scale that the PSW were in. The table 4.2 summarizes the results from multiple regression analysis.

The results in table 4.2 provides no sufficient evidence for the significance of any of the regressor variables. Specifically, the study established that the number of loans that households get from the MFI have no significant effect on their livelihood. This evidence follows from the observed p-value (Sig.) of 0.754, which is higher than the critical 0.05 level of significance. In addition, the T-statistic value is also very small (-0.024) compared to the 2-T rule of thumb.

In addition, household size and salary scale, were also found to have an insignificant effect on the livelihood status of the households at the 5% level of significance. The conclusion was arrived at using the observed 0.543 and 0.625 p-values, respectively, compared to the critical 0.05 level of significance.

Table 4.2: Regression analysis (Household livelihood situation and MFI loans)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.363	.444		5.329	.000
	Number of loans obtained	-.024	.076	-.041	-.315	.754
	Household size	-.028	.046	-.078	-.611	.543
	Salary Scale	-.056	.113	-.064	-.491	.625
a. Dependent Variable: Household situation change						

The prior signs, however, indicate that an increase in the number of loans may pose a negative effect on the livelihood of the households, however, this effect is significant. The same observation was made on the household size and salary scale. To support the evidence obtained from the a priori signs, this study went on to establish correlational effects, using the Pearson's bi-variate correlation test. The table 4.3 summarises the correlation results.

The results obtained in table 4.3 supports the multiple regression results. A negative, but insignificant relationship between number of loans obtained from MFI and household livelihood exists. In addition, evidence was also established for the negative but insignificant relationship between number of loans obtained from MFI and hopusehold size, as well as between number of loans obtained from MFI and salary scale.

The implications of a prior observed directions of the effects is that if the number of household loans obtained grow beyound reasonable levels, the livelihood status of the household tends to worsen in the long run. The household heads, therefore, need to control their levels of credits in the short run, to avoid long run financial stress and therefore household livelihood status. In addition, the need to avoid over-borrowing is also to reduce on the default chances. The more one borrows, and if this leads to financial stress, the higher the default chances.

Table 4.3 Pearson's Bivariate Correlation Test of Significance

		Household situation change	Number of loans obtained	Household size	Salary Scale
Household situation change	Pearson Correlation	**1**	**-.025**	**-.070**	**-.047**
	Sig. (2-tailed)		.845	.575	.709
	Sum of Squares and Cross-products	35.939	-1.515	-7.061	-1.939
	Covariance	.553	-.023	-.109	-.030
	N	66	66	66	66
Number of loans obtained	Pearson Correlation	-.025	1	-.020	-.231
	Sig. (2-tailed)	.845		.871	.062
	Sum of Squares and Cross-products	-1.515	106.121	-3.515	-16.485
	Covariance	-.023	1.633	-.054	-.254
	N	66	66	66	66
Household size	Pearson Correlation	-.070	-.020	1	-.103
	Sig. (2-tailed)	.575	.871		.411
	Sum of Squares and Cross-products	-7.061	-3.515	280.439	-11.939
	Covariance	-.109	-.054	4.314	-.184
	N	66	66	66	66
Salary Scale	Pearson Correlation	-.047	-.231	-.103	1
	Sig. (2-tailed)	.709	.062	.411	
	Sum of Squares and Cross-products	-1.939	-16.485	-11.939	47.939
	Covariance	-.030	-.254	-.184	.738
	N	66	66	66	66

The study further established the joint significance of the regressors on the livelihood of the households. The joint significance test was conducted using the analysis of variance (ANOVA) test. The null hypothesis that jointly, MFI loans, household size and salary scale have no effect on household livelihood, was tested against the alternative hypothesis that the three regressors, jointly, have an effect on the household livelihood. The table below summarizes the joint significance results.

Table 4.4: Joint Significance Test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.340	3	.113	.198	.898
	Residual	35.599	62	.574		
	Total	35.939	65			
a. Dependent Variable: Household situation change						
b. Predictors: (Constant), Salary Scale, Household size, Number of loans obtained						

At a 3 regression degrees of freedom and a 62 residual degree of freedom, there was strong evidence for rejecting the null hypothesis for joint significance in this study. This means that jointly, MFI loans, household size and salary scale do not jointly and significantly affect household livelihood at 5% level of significance.

4.4. Resons For Getting A Loan From Micro Financial Institutions

The study further sought to explore reasons for the preference of MFI loans over bank loans. Through thematic analysis, the study grouped the responses into three main themes of no collateral requirement, quick access to money and less involvement of paperwork. The Figure 4.1 summarises the themed responses of the respondents.

According to the Bank of Zambia, Zambia has 18 registered local and international commercial banks (Bank of Zambia 2021a). Zambia also has 36 registered Microfinance Institutions (Bank of Zambia 2021b). Both banks and MFIs provide loans to their clients and are in competition with each other albeit banks having been in this business longer. Ideally, it would be expected that civil servants would most likely get loans from the banks they bank with as the banks know their financial standing well, however we still have a lot of civil servants shunning bank loans for MFI loans. This study tried to understand the reason MFIs are preferred to banks by the target group. The Figure above shows that majority (37%) preferred accessing loans from MFIs because they were quick to give out loans. MFIs had less procedures and red tape and so they came in handy for clients that had immediate need for cash. Others preferred MFIs because they had less paper work forms to fill (33%) which basically quickened access to cash while others preferred MFIs because they did not require any collateral.

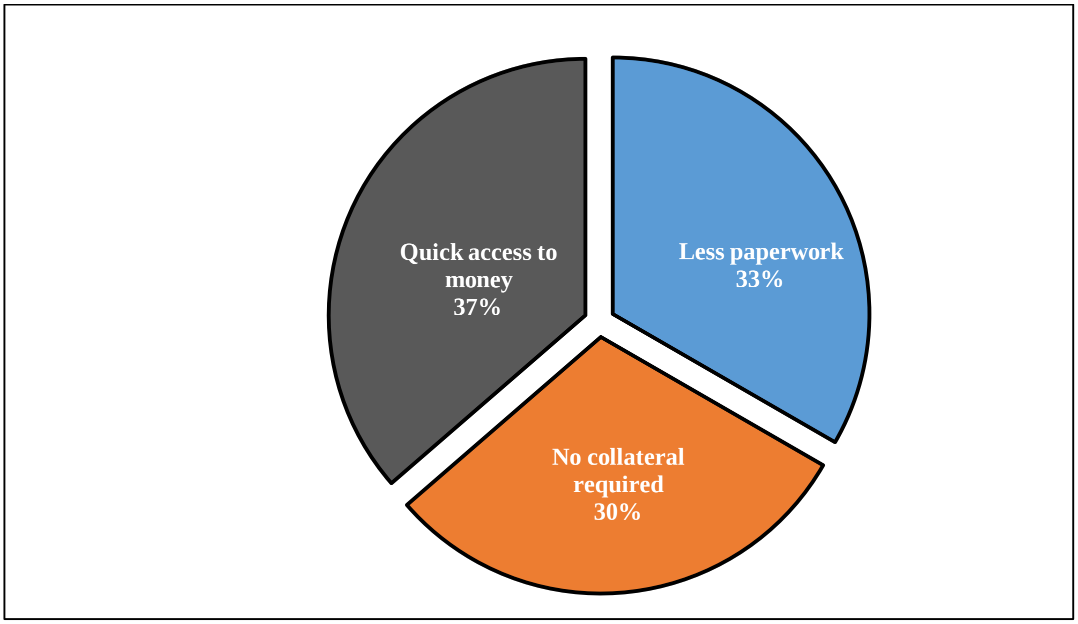


Figure 4.1: Reasons for preference of MFI loans over bank loans

Upon probing further, the respondents indicated that their preference of MFI loans over bank loans were somehow catalyzed by the use to which they were putting the loan to. The study had targeted households that had accessed loans from the selected MFIs through one or more household member. These households indicated that they accessed these loans for various purposes with the majority highlighting Education (32%) followed by Starting a business (23%) and purchasing a car (12%). Others got loans for construction (11%), Financing existing business (11%), social events (11%), and consumption (2%). Noteworthy is the combined 34% that obtained their loans to finance their new or existing businesses. This would be considered a positive contribution towards their community and the country's economic growth. However, it is common to get a loan for one purpose and using it for another. Figure 4.2 shows a comparison of the loan purpose and what the loan was actually used for. Overall, there were fewer households using the loan money for the intended purpose as could be seen in the case of those that got loans for education, business (start-ups and financing already existing), car and social purposes. The differences between purpose and actual use were not very significant overall except for social and consumption loans which had an 8% reduction and 13% increase respectively. FGDs revealed that some households obtained loans for weddings and funerals but did not use all that money for the intended purpose, rather they channeled the remainder to other uses like consumption. Important to note is the marginal changes (2%) in use for both types of business loans.

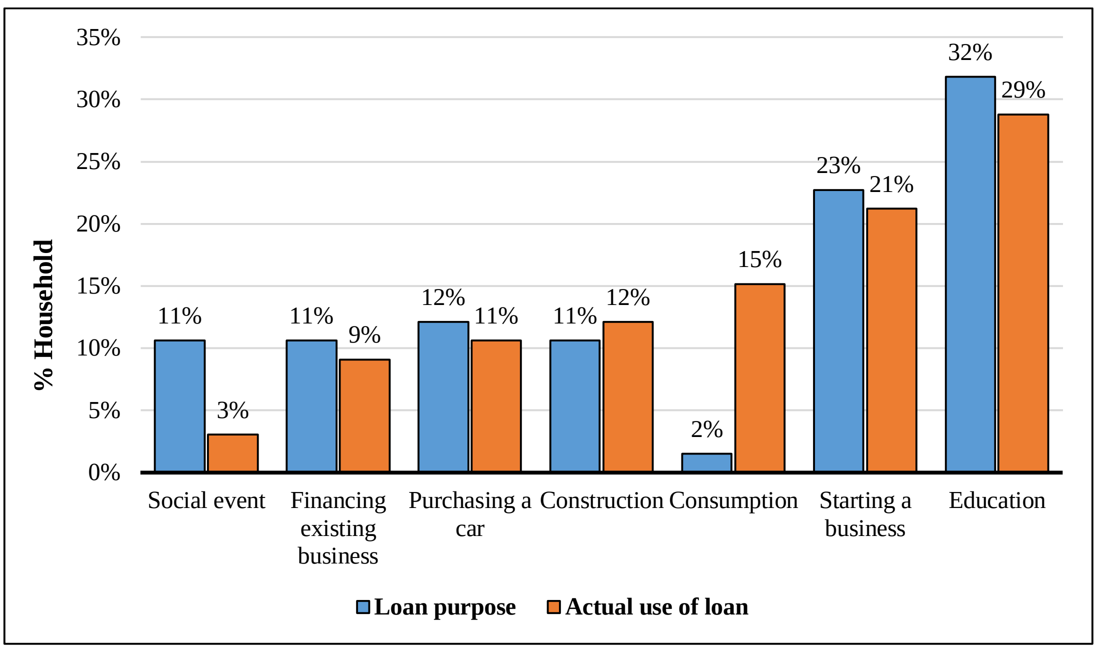


Figure 4.2: Loan purpose vs Use

As shown in the figure 4.2, there seemed to be some discipline when it came using the business loans for their intended purposes. The study further showed that clients ventured into various businesses with the most prominent being the grocery business (47%) and hardware (16%). Other businesses included real estate (11%), car hire (11%), agriculture (10%) and trading (5%). Some of these businesses did not only improve the respondents' livelihoods but households of those they employed/engaged such as shop keepers, transporters.

4.5. Challenges Faced By Households In Accessing Mfi Loans

Despite the preference of MFI loans over bank loans, the respondents pointed out some challenges that they face when it comes to access to MFI loans. The mentioned challenges were segmented according to where the respondents resided. In rural areas, the biggest hindrance to accessing MFI loans was long distances (46%) to the nearest MFIs, this was the least of challenges for people in urban areas (16%). Both urban (32%) and rural (32%) households found lack of access to online services when accessing loans as a hindrance. Low income was the biggest hindrance in accessing MFIs to urban households while it was the least in rural households. This could be because the cost of living in rural areas is significantly lower than that of urban areas. A house than can cost $194 in Lusaka urban areas could cost between $11 and $28. That makes civil servants living in rural areas have more disposable income.

4.6. Other Mfi Loan Related Issues

The study also established that among the PSW who have obtained loans, there were some who defaulted their loan repayment. Upon probing, there were some reasons that respondents gave as the main default push factors. By grouping the responses into themes, the responses were summarized and presented using a bar chart as shown in the figure 4.3. Most of the respondents who defaulted on their loans attributed their default to high interest burden. The respondents indicated that although collateral is not a major issue, most MFIs put a high interest on their loans, making it difficult for the borrowers to always pay back the full loan amount owing. Others mentioned the increased loan accumulation as well as the lack of ROI on the loan use. Other reasons include the slump in cash flows and bowing beyond their repayment capacity.

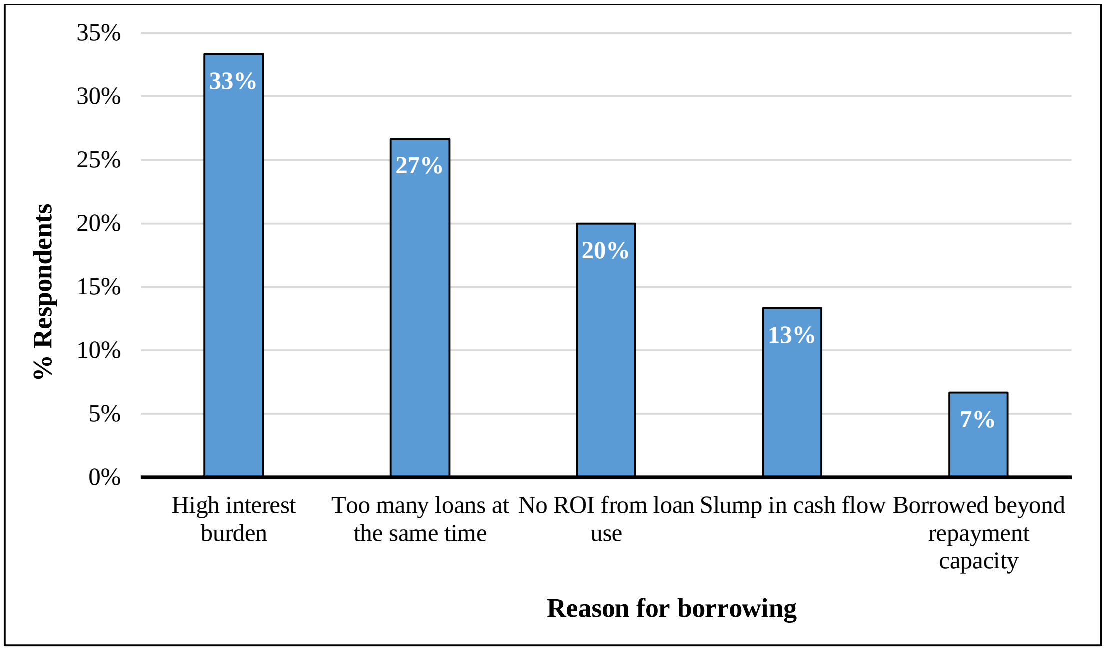


Figure 4.3: Reasons for defaulting

There were also some disadvantages in obtaining loans from the MFIs that respondents mentioned. These include high interest rates, strict repayment schedules, and that loans obtained from MFIs do not finish.

4.7 Chapter Summary

Chapter 4 presents the findings of the study, beginning with an exploration of the socio-demographic characteristics of the respondents, revealing that the majority were men living in urban areas with tertiary education. The chapter highlights that urban households had more loans and defaults compared to rural ones, often due to high living costs and limited income sources. Analysis of loan default reasons includes high interest rates and borrowing beyond repayment capacity. Empirical results from regression analysis suggest no significant impact of MFI loans on household livelihoods, supported by correlational evidence. Reasons for preferring MFI loans over bank loans include quicker access, less paperwork, and no collateral requirement. Despite preferences, challenges such as long distances to MFIs and lack of online access persist, with defaults often attributed to high interest burden and over-borrowing. Disadvantages of MFI loans mentioned include high interest rates and strict repayment schedules, indicating complexities in navigating microfinance dynamics.

CHAPTER 5

DISCUSSION OF THE FINDINGS

5.1. Introduction

The findings from the study provide valuable insights into the socio-demographic characteristics of respondents, reasons for borrowing from microfinance institutions (MFIs), challenges faced in accessing MFI loans, and the effects of MFI loans on household livelihoods. This chapter presents the discussion for the findings of this study. The discussion is presented according to the study objectives. The presentations try to also provide answers to the research questions that were raised in this study.

5.2. The Discussion

The study revealed that the majority of respondents were male (70%) and residing in urban areas (58%), with an average household size of 7. These findings are consistent with the urbanization trend in Zambia, where urban areas experience higher population density and economic activity compared to rural areas (Central Statistical Office, 2018). Additionally, the study found that most respondents were monogamously married and had attained tertiary education, reflecting the demographic profile of public service workers in Zambia (Ministry of Finance, 2019).

5.2.1 Effects of MFI Loans on Household Livelihoods

This study sought to investigate the effect of MFI loans on the livelihood of the households. The study took a mixed research approach with the use of the concurrent nested research design. The results of the study leaned much on the quantitative side, nesting the qualitative approach based on thematic analysis.

The study has established that the number of MFI loans have a negative but insignificant effect on the livelihood of the households. The results were concluded using the multiple regression analysis and the correlation analysis based on the Pearson's bivariate test. The results obtained in this study are relatively similar to those obtained by Simanowitz (2001) and Njavwa (2019). However, the results by Hopes et al (2002) and Mayoux (2001) established significant effects and thus contradicts the findings of this study. The results of this study, due to the negative a priori signs of the regression coefficients, would suggest that household need to be cautious with their credit accumulation levels. This finding also suggests that other factors beyond loan acquisition, such as financial management practices and economic opportunities, may play a more significant role in shaping household livelihood outcomes (Chen & Snodgrass, 2001).

5.2.2 Reasons for Getting a Loan from MFIs

The study identified three main reasons for preferring MFI loans over bank loans: quick access to funds (37%), less paperwork (33%), and no collateral requirement (30%). These findings highlight the accessibility and convenience offered by MFIs, particularly in terms of streamlined application processes and relaxed eligibility criteria (Mersland & Strøm, 2009). Additionally, the study found that a significant proportion of respondents (34%) obtained loans for business purposes, indicating the role of microcredit in supporting entrepreneurship and income-generating activities among public service workers (Khandker, 2005).

5.2.3 Challenges Faced in Accessing MFI Loans

Despite the preference for MFI loans, respondents reported several challenges in accessing them. These included long distances to MFI branches (46% in rural areas, 16% in urban areas), lack of access to online services (32% in both rural and urban areas), and low income (28% in urban areas, 10% in rural areas). These findings underscore the importance of improving the geographical reach and digital accessibility of MFIs, particularly in rural areas where financial exclusion is more pronounced (Honohan, 2004).

5.2.4 Reasons for Defaulting on MFI Loans

The study identified high-interest burden (35%) and increased loan accumulation (25%) as the main reasons for defaulting on MFI loans. These findings highlight the importance of responsible lending practices and borrower education programs to mitigate default risks and promote sustainable credit use (Cull et al., 2009). Additionally, the study found that some respondents defaulted due to the lack of return on investment from loan utilization, indicating the need for better financial planning and investment strategies among borrowers (Field & Pande, 2008).

5.2.5 Increase credit access

The study also explored the factors that contribute to increased access of the MFI loans by PSW over bank loans. The findings indicated that the loose collateral requirement by the MFI, among other reasons, make the MFI loans more attractive compared to bank loans. The loose collateral requirement gives borrowers room to borrow beyond their asset holding and thus increases the credit acquisition. In addition to the collateral reason, the respondents also pointed out to the reduced paper work and quick access to money as some of the reasons for borrowing from the MFIs.

The above reasons show that PSW are more biased towards institutions that would allow them to borrow without the need to provide collateral as well as reduced paper works. The quick access to money component is also important in that the factor determines where and when the PSW decides to borrow money.

5.3 Chapter Summary

Chapter 5 provides a detailed discussion of the study's findings, offering insights into the socio-demographic characteristics of respondents and the effects of MFI loans on household livelihoods. Despite a preference for MFI loans over bank loans due to factors such as quick access to funds and reduced paperwork, challenges such as long distances to MFI branches and high-interest burdens contribute to loan defaults. These findings underscore the importance of responsible lending practices and borrower education programs to mitigate default risks and promote sustainable credit use among public service workers.

CHAPTER 6

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1. Introduction

This chapter provides a summary to the study as well as the conclusion and recommendations based on the study findings. The summary constitutes the content covered ion the study, reduced to a brief content. The conclusion provides the researcher's conclusion based on the study findings. The recommendation of the study are prescriptions that the researcher made based on the study findings.

6.2. Summary

The study sought to assess the effect of microcredit on public service workers in Zambia. The study also explored the reasons why PSW prefer MFIs for loans over banks. In addition, the study assessed the challenges that PSW face when accessing loans to MFIs. The study used the mixed research approach and adopted the concurrent nested research design. The study was conducted in Lusaka province and covered all the districts in the province, with an inclusion of Chisamba district (in the central province of Zambia). To ensure that the results obtained are inferable to the general population, the study covered both the rural and the urban parts of the enumerated districts.

The study used regression analysis, correlation analysis and ANOVA for the quantitative analysis, and thematic analysis for the qualitative part. The results of the study were insignificant for all the model variables (MFI loans, family size and income scale). The study also explored factors that cause PSW to prefer MFI loans to bank loans. Some of the factors identified include loose collateral requirement, few paper works and quick access to money. Despite the preference of MFI loans over bank loans, the study established challenges that PSW face when accessing bank loans. Among the challenges mentioned was the long distance covered to access the loan, the lack of access to internet facility, among other factors.

6.3. Conclusion

The study, therefore, concludes that MFI loans do not significantly affect household livelihood for the PSWs. Although the coefficient sign in the regression model suggests that an increase in the number of loans obtained worsens the livelihood conditions, the results were insignificant. This means that MFI loans may be a potential factor that could influence the livelihood of PSW households, but not significantly.

6.4. Recommendations

The recommendations for this study are direct, based on the findings.

1. Government should improve the operating environment for the MFIs in order to attract many MFI formations. This may reduce the long distance challenge identified in this study.
2. MFIs need to standardize their loan policies countrywide in order to attract many PSWs.
3. There is need to set policies that would restrict borrowing from MFIs. This will reduce over-borrowing and thus the extent of loan defaults.
4. There is need for PSW to be trained on the use of credits obtained from Micro financial institutions.
5. There is need for other researchers to extend the study to other sectors and improve the contribution to the body of knowledge on the subject matter.

6.5 Chapter Summary

Chapter six provides a comprehensive summary, conclusion, and recommendations based on the study's findings. The summary encapsulates the study's objectives, methodologies, and key findings, including the preference of public service workers (PSWs) for microfinance institution (MFI) loans over bank loans and the challenges they face in accessing loans. The conclusion highlights that while MFI loans may have potential implications for household livelihoods, the study found no significant impact. The recommendations include improving the operating environment for MFIs, standardizing loan policies, implementing borrowing restrictions, providing training on credit usage, and suggesting further research in other sectors to enhance knowledge on the subject. These recommendations aim to address challenges identified in the study and promote responsible lending practices among PSWs in Zambia.

REFERENCES

Adams, J., Smith, K., & Johnson, L. (2018). Lending Practices Towards Public Servants: A Comparative Analysis of Banks and Credit Unions. Journal of Financial Services, 42(3), 301-318.

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, accessed date: Jan. 2022.

Chen, H., Wang, L., & Liu, Y. (2020). Peer-to-Peer Lending and Public Servants: Usage Patterns and Outcomes. Journal of Banking & Finance, 110, 105764.

Alain, P. (2001) Identifying Promising MFIs . New York: UNDP UNDP. Accessed date: Jan. 2022

Bank of Zambia (1999) Development of Microfinance Regulation and Supervision: Project Document . Lusaka :

Chamberlain, K., Camic, P. & Yardley, L. (2004). Qualitative analysis of experience: grounded theory and case studies, in D.F. Marks & L. Yardley (eds) Research methods for clinical and health psychology. London: SAGE.

Chamberlain, K., Camic, P. & Yardley, L. (2004). Qualitative analysis of experience: grounded theory and case studies, in D.F. Marks & L. Yardley (eds) Research methods for clinical and health psychology. London: SAGE.

Stake, R. E. (2005). “Qualitative case studies.” In Denzin, Norman K. & Lincoln, Yvonna S. eds. The sage handbook of qualitative research. 3rd ed. Thousand Oaks, CA: SAGE. pgs. 443-466.

Johnson, M., & Garcia, A. (2017). Employee Assistance Programs and Credit Needs of Public Servants: An Evaluation Study. Public Administration Review, 76(4), 623-636.

Leach F, Sitaram S (2002). Microfinance and Women’s empowerment: Lessons from India. Development in Practice, Volume 12, Number (5): November

Lewis C (2004). Microfinance from the Point of View of Women with Disabilities: Lessons from Zambia and Zimbabwe; Gender and Development, Vol. 12, No. 1, Diversity, pp. 28-39: Taylor & Francis, Ltd. on behalf of Oxfam GB.

Mayoux L (1999). Questioning Virtuous Spirals: micro-finance and women's empowerment in Africa. J. Int. Dev. 11:957-984.

Mayoux L (2000). Sustainable Micro-finance for Women’s Empowerment: A Participatory Learning and Action Approach, UNIFEM.

Nicholls, A. (2006), ‘Introduction: The Nature of Social Entrepreneurship', in Nicholls, A. (ed.), Social Entrepreneurship: New Models of Sustainable Social Change, Oxford University Press, pp.1-35

Stake, R. E. (1995). The Art of Case Study Research. Thousand Oaks, CA: SAGE.
Yin, R. K. (2009). Case study research: Design and methods. SAGE Publications: Thousand Oaks, CA.

Williams, R., & Brown, S. (2019). Government Employee Credit Programs: Accessibility and Affordability Analysis. Public Finance Review, 47(5), 693-710.

Willig, C. (2008). Introducing qualitative research in psychology: Adventures in theory and method. London: Open University Press.

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.

Putnam, R. D. (1993). The Prosperous Community: Social Capital and Public Life. The American Prospect, 13, 35-42.

Bourdieu, P. (1986). The Forms of Capital. In J. Richardson (Ed.), Handbook of Theory and Research for the Sociology of Education (pp. 241-258). Greenwood.

Coleman, J. S. (1988). Social Capital in the Creation of Human Capital. American Journal of Sociology, 94(Supplement), S95-S120.

Nahapiet, J., & Ghoshal, S. (1998). Social Capital, Intellectual Capital, and the Organizational Advantage. Academy of Management Review, 23(2), 242-266.

Putnam, R. D. (2000). Bowling Alone: The Collapse and Revival of American Community. Simon & Schuster.

Woolcock, M., & Narayan, D. (2000). Social Capital: Implications for Development Theory, Research, and Policy. The World Bank Research Observer, 15(2), 225-249.

Portes, A. (1998). Social Capital: Its Origins and Applications in Modern Sociology. Annual Review of Sociology, 24(1), 1-24.

Lin, N. (2001). Social Capital: A Theory of Social Structure and Action. Cambridge University Press.

Department for International Development (DFID). (1999). Sustainable Livelihoods Guidance Sheets. Retrieved from https://www.eldis.org/document/A12665 accessed. date: 22 -27 June 2023.

Adams, J., Smith, K., & Johnson, L. (2018). Lending Practices Towards Public Servants: A Comparative Analysis of Banks and Credit Unions. Journal of Financial Services, 42(3), 301-318.

Chen, H., Wang, L., & Liu, Y. (2020). Peer-to-Peer Lending and Public Servants: Usage Patterns and Outcomes. Journal of Banking & Finance, 110, 105764.

Karlan, D., & Valdivia, M. (2016). Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions. Review of Economics and Statistics, 98(1), 45-62.

Rahman, A., & Rashid, S. (2017). Microfinance and Empowerment: A Qualitative Study of Borrowers' Perspectives in Bangladesh. Journal of Developing Areas, 51(3), 143-158.

Woolcock, M., & Narayan, D. (2000). Social Capital: Implications for Development Theory, Research, and Policy. The World Bank Research Observer, 15(2), 225-249.

Nunnally, J. C., & Bernstein, I. H. (1994). Psychometric theory. McGraw-Hill.

Central Statistical Office. (2018). 2018 Census of Population and Housing: National Analytical Report. Lusaka, Zambia.

Ministry of Finance. (2019). Public Service Management Division Annual Report 2019. Lusaka, Zambia.

Mersland, R., & Strøm, R. Ø. (2009). Microfinance Mission Drift? World Development, 37(4), 883–897.

Khandker, S. R. (2005). Microfinance and Poverty: Evidence Using Panel Data from Bangladesh. The World Bank Economic Review, 19(2), 263–286.

Honohan, P. (2004). Financial Development, Growth, and Poverty: How Close Are the Links? World Bank Policy Research Working Paper No. 3203.

Chen, K., & Snodgrass, D. (2001). Microfinance and Poverty: Evidence Using Panel Data from Bangladesh. Economic Development and Cultural Change, 49(4), 689–697.

Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2009). Microfinance Trade-offs: Regulation, Competition, and Financing. The World Bank Research Observer, 24(1), 23–43.

Field, E., & Pande, R. (2008). Repayment Frequency and Default in Microfinance: Evidence from India. Journal of the European Economic Association, 6(2-3), 501–509.

APPENDICES

APPENDIX I – QUESTIONNAIRE

The University of Zambia
Graduate School of Business
An assessment of the effects of Microcredit on public service workers: A case study of Lusaka Province.

The information you will give us will be confidential and only available to the one collecting and analysing the data. No one person or institution will access this data as a way to ensure we protect your privacy. Please feel free to answer as honestly as possible and ask questions if any.

Date of Interview	
Type of Interviewee	***1= Public Service Worker 2= Microfinance Worker>>> Section 5***

SECTION 1: GENERAL INFORMATION

Thank you for participating in this study and helping us understand issues related to MFI loans and their effect on your household's livelihood. Please note that the questions in this questionnaire are for the household though the focus will mainly be on the decision makers and those accessing MFI loans.

1.1	Province ***1 = Lusaka***
1.2	District *1= Lusaka 2= Kafue 3= Chisamba 4=Chongwe 5= Rufunsa 6= Chilanga*
1.3	Residential Area *1= Urban 2= Rural*
1.4	Name of the Respondent
1.5	Sex of respondent: *1=Male 2= Female*
1.6	Age of respondent as of last birthday *(years)*

1.7	What is the Marital status of the respondent? *1=Single 2=Married 3=Divorced 4=Widowed*	
1.8	What is the level of Education of the respondent? *1=None 2=Primary 3=Secondary 4=Tertiary*	
1.9	Household size (members that have been around for at least the past 6 months)	
1.10	What cellphone number can we use to contact you? Optional	| | | | | | | | | |
1.11	How far is your home from the nearest point (site) of access to a MFI (Km)? 12 minutes of walking=1 Km	

SECTION 2: ACCESS TO MFI LOANS

Note: You will now answer questions on access to loans, benefits and challenges in accessing MFI loans.

Table 2: Loan access

2.1 How many MFI's have you ever borrowed from?
2.2 What was the most prominent purpose of the loan (s) you got from this/these MFIs? *1 = Consumption 2 = Starting a business 3 = Financing already existing business 4 = Purchasing a car 5= Purchasing a house 6=Social event (Wedding, Party, Funeral) 7= Education 8= Other, specify*
2.3 Which year did you make the first access a MFI loan?
2.3.1 Which year did you get your last loan?
2.4 How many loans have you ever borrowed from all MFIs you've ever interacted with in total?
2.5 How many of these loans have you defaulted on?
2.5.1 If 2.5>1, what led to the default?

2.6 Why do you prefer MFIs to banks? *1= Quick access to money 2= Less paper work 3= No collateral requirement 4= Better interest rate 5= Other, specify*
2.7 What challenges do you face in accessing loans from MFIs?
2.8 What are the disadvantages of MFI loans? *1= Interest rates too high 2= Take long to disburse 3= strict repayment schedule*
2.9 What effect have these loans had on your household's living standards? *1= Improved it 2= Worsened it 3= No change*
2.9.1 Have you ever lost an asset put up as collateral due to a loan? *1= Yes 2= No*
2.10 Do you belong to a savings group such as Chilimba or Village bank? *1= Yes 2= No*
2.11 How many loans do you currently have?

SECTION 3: OVERALL HOUSEHOLD INCOMES AND SOCIO-ECONOMIC STATUS

Note: You will now answer questions about your livelihood, household income and any socio-economic standing of your household.
Table 3: Income and Investment

3.1 How much is your monthly salary range from your employment in public service? 1= less than 3, 000 2= ZMW 3, 000 – 6, 000 3= ZMW 6, 001 – ZMW 10, 000 4= Above ZMW 10, 000
3.2 How many sources of income do you currently have?
3.3 List the sources of income you currently have?
3.4 Would any of these sources of income mentioned be as a result of accessing money from a MFI? *1=Yes 2=No*
3.5 What do you mainly use the income from the source above on? *1=Health requirements 2=Education requirements 3=Social activities 4=Purchasing assets 5=Purchasing farming inputs 6= Purchasing household food requirements 7= Purchasing non-food items 8=Other, specify*

3.6 Have you engaged in any new business recently due to access to MFLs? *1= Yes 2= No*
3.7 What type of business is/was this? *1= Agriculture production 2= Grocery/other trading business 3= Other, specify*
3.8 Who mainly makes the decision to borrow from a MFI in your household? *1=Male hh member 2= Female hh member 3= Joint decision*
3.9 Are there any other benefits of borrowing from an MFI that have not been mentioned that you would like to point out? *1=Yes 2=No*, ***if No>>>3.11***
3.10 If **3.9==1**, What are the benefits? ***List them according to priority***
3.11 Are there any challenges of borrowing from an MFI that you would like to point out? ***1=Yes 2=No, if No >>>3.13***
3.12 If **4.17==1**, What are the challenges? ***List them according to priority***
3.13 Would you say MFI loans have improved your household livelihood in any way? *1= Yes 2= No*, ***if No>>>3.15***
3.14 If not, why?
3.14.1 If yes, what is the major improvement in your livelihood that you can attribute to accessing microcredit?
3.15 Have you ever received any materials or information on financial literacy from the MFI you once borrowed from? *1= Yes 2= No*
3.16 Have you ever received any materials or information on financial literacy anywhere else other than MFI? *1= Yes 2= No*

SECTION 4: MFI KEY INFORMANT INTERVIEW

Please note that this section is strictly for representatives of the MFI participating in this survey. Please answer as honestly as possible.

Table 4: Key Informant

4.1	Name of respondent	
4.2	Name of MFI	
4.3	Position of respondent in the company	
4.4	Phone number	

4.5 What is the common reason for borrowing listed by your clients? *1= Car purchase 2= House purchase 3= Personal use 4= Business investment 5= Other, specify*

4.6 What is your growth rate (%) annually on average in terms of number of clients served each year?
4.7 Approximately what percentage (%) of borrowers default each year?
4.8 What do you think is the reason your client's default? *1= Poor financial management 2= Economic hardships 3= Deliberately default 4= Other, specify*
4.9 What do you think is the main reason for some of your clients not improving their livelihoods despite borrowing from your MFI? *1= Poor financial management 2= Economic hardships 3= Not enough income 4= Other, specify*
4.10 What makes your MFI most attractive to your clients' visa vis others? *1= Low interest rate 2= Good general loan conditions 3= Good customer service 4= Quick loan processing 5= Other, specify*
4.11 What is the biggest challenge your clients have ever had against your services?
4.12 Who borrow most between males and females from your MFI? *1= Male 2= Female*
4.13 Who defaults most between male and female clients? *1= Male 2= Female*
4.14 Does your MFI provide any financial literacy knowledge to your clients? *1= Yes 2= No*

APPENDIX II – ETHICAL CLERANCE APPROVAL

THE UNIVERSITY OF ZAMBIA
DIRECTORATE OF RESEARCH AND GRADUATE STUDIES

Great East Road Campus | P.O. Box 32379 | Lusaka10101 | Tel: +260-211-290 258/291 777 **Fax**: (+260)-211-290 258/253 952 | E-**mail**: director.drgs@unza.zm | Website: www.unza.zm

APPROVAL OF STUDY

IORG No. 0005376
HSSREC IRB No. 00006464

29th July, 2022

REF NO. HSSREC-2022-JUN-031

Jane Mbuzi
The University of Zambia Graduate School of Business
P.O. Box 32379
LUSAKA

Dear Ms. Mbuzi,

RE: "AN ASSESSMENT OF THE IMPACT OF MICROCREDIT ON PUBLIC SERVICEWORKERS: A CASE STUDY OF LUSAKA DISTRICT"

Reference is made to your submission of the protocol captioned above. The HSSREC resolved toapprove this study and your participation as Principal Investigator for a period of one year.

REVIEW TYPE	**ORDINARY REVIEW**	**APPROVAL NO. HSSREC-2022-JUN-031**
Approval and Expiry Date	Approval Date: 25th July, 2022	Expiry Date: 28th July, 2023
Protocol Version and Date	Version - Nil.	28th July, 2023
Information Sheet, Consent Forms and Dates	English.	To be provided
Consent form ID and Date	Version - Nil	To be provided
Recruitment Materials	Nil	Nil
Other Study Documents	Questionnaire.	
Number of ParticipantsApproved for Study		

Specific conditions will apply to this approval. As Principal Investigator it is your responsibility to ensure that the contents of this letter are adhered to. If these are not adhered to, the approval may besuspended. Should the study be suspended, study sponsors and other regulatory authorities will be informed.

Conditions of Approval

- No participant may be involved in any study procedure prior to the study approval orafter the expiration date.
- All unanticipated or Serious Adverse Events (SAEs) must be reported to HSSRECwithin 5 days.
- All protocol modifications must be approved by HSSREC prior to implementationunless they are intended to reduce risk (but must still be reported for approval). Modifications will include any change of investigator/s or site address.
- All protocol deviations must be reported to HSSREC within 5 working days.
- All recruitment materials must be approved by HSSREC prior to being used.
- Principal investigators are responsible for initiating Continuing Review proceedings.HSSREC will only approve a study for a period of 12 months.
- It is the responsibility of the PI to renew his/her ethics approval through a renewalapplication to HSSREC.
- Where the PI desires to extend the study after expiry of the study period, documentsfor study extension must be received by HSSREC at least 30 days before the expirydate. This is for the purpose of facilitating the review process. Documents receivedwithin 30 days after expiry will be labelled “late submissions” and will incur a penalty fee of K500.00. No study shall be renewed whose documents are submittedfor renewal 30 days after expiry of the certificate.
- Every 6 (six) months a progress report form supplied by The University of Zambia Humanities and Social Sciences Research Ethics Committee as an

IRB must be filled in and submitted to us. There is a penalty of K500.00 for failure to submit the report.

- When closing a project, the PI is responsible for notifying, in writing or using the Research Ethics and Management Online (REMO), both HSSREC and the National Health Research Authority (NHRA) when ethics certification is no longer requiredfor a project.
- In order to close an approved study, a Closing Report must be submitted in writing or through the REMO system. A Closing Report should be filed when data collectionhas ended and the study team will no longer be using human participants or animalsor secondary data or have any direct or indirect contact with the research participants or animals for the study.
- Filing a closing report (rather than just letting your approval lapse) is important as it assists HSSREC in efficiently tracking and reporting on projects. Note that some funding agencies and sponsors require a notice of closure from the IRB which had approved the study and can only be generated after the Closing Report has been filed.
- A reprint of this letter shall be done at a fee.
- All protocol modifications must be approved by HSSREC by way of an applicationfor an amendment prior to implementation unless they are intended to reduce risk (butmust still be reported for approval). Modifications will include any change of investigator/s or site address or methodology and methods. Many modifications entailminimal risk adjustments to a protocol and/or consent form and can be made on an Expedited basis (via the IRB Chair). Some examples are: format changes, correctingspelling errors, adding key personnel, minor changes to questionnaires, recruiting andchanges, and so forth. Other, more substantive changes, especially those that mayalter the risk-benefit ratio, may require Full Board review. In all cases, except wherenoted above regarding subject safety, any changes to any protocol document or procedure must first be approved by HSSREC before they can be implemented.

Should you have any questions regarding anything indicated in this letter, please do not hesitate to getin touch with us at the above indicated address.

On behalf of HSSREC, we would like to wish you all the success as you carry out

your study.Yours faithfully,

DR. J. I. Ziwa
ACTING CHAIRPERSON
THE UNIVERSITY OF ZAMBIA HUMANITIES AND
SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE - IRB

cc: Director, Directorate of Research and Graduate Studies
Assistant Director (Research), Directorate of Research and Graduate Studies Assistant Registrar (Research), Directorate of Research and Graduate Studies