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Micro-finance as a Tool for Financial Access, Poverty Alleviation and Women Empowerment in Bindura District, Zimbabwe

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Abstract

The purpose of this study was to understand the role of micro-finance as a tool for women empowerment in Bindura Rural District of Zimbabwe. Qualitative methodology was used. Data collection methods used included semi-structured interviews, documentary search. The respondents for the study were drawn from rural women who had accessed loans from MFI, managers of MFI and the Zimbabwe Association of Micro Finance Institutions. The study found out that access to credit has positive outcomes on production, income, and consumption at household and macro-economic levels. Rural women in Zimbabwe lack adequate access to formal credit. The study found that that lack of adequate access to credit have significant negative effect on technology adoption, agricultural productivity, food security, nutrition, health, and overall welfare. The study concludes that the lack of collateral of the poor, their demand for smaller loans, and high transaction cost associated with small loans are the main factors that the poor are excluded from formal credit services.

Keywords

Micro finance institutions, rural women, poverty alleviation, women empowerment, financial access

1. Introduction

Microfinance has been widely promoted as an important tool for poverty alleviation and rural development (Heidhues, 1995; Johnson & Rogaly, 1997; Zelleret, 1997; Gulli, 1998). It is driven by the concept that providing financial services to the poor could efficiently and effectively contribute to income generation, provide asset investment strategies to smooth disposable income over time, and consumption stabilization (Zeller, 1997). Through these three pathways, microfinance is said to positively affect its clients in terms of food security, productivity, education, health, technology adaption, empowermentand intra-household relations (Schuler & Hashemi, 1994). Wider impacts attributed to microfinance are in labour markets, financial markets, post-war reconstructions, community governance and macro-economic impacts (Velasco & Marconi, 2004).

Microfinance is a set of financial services that targets the poor and the least well off. It includes but is not limited to microcredit, micro savings, micro insurance, and mobile banking. Microcredit continues to be the most popular microfinance product in many countries, including Pakistan. Throughout this chapter, the term microfinance will refer to formal microfinance activities, products and institutions. The focus on extreme poverty and the world's poorest has sharpened at an unprecedented level since the 1990s (Morduch & Haley, 2002). Global development institutions, such as the United Nations Development Programme (UNDP), and international financial institutions (IFIs), particularly the World Bank, have elevated poverty alleviation to the policy forefront (World Bank, 2013). The debate on the best interventions to alleviate poverty has consequently heated up. At the same time, the development narrative seems to have converged on the idea that development should be about poverty reduction but also be mindful of "the voices of the poor" (Narayan-Parker, 2000). This last is a reference to the bottoms-up, participatory processes that allow for beneficiary involvement in the design, implementation and monitoring of the interventions that affect them (Rankin, 2002). In other words, successful interventions must reduce poverty *and* reduce inequality by empowering the marginalized, especially poor women.

Micro-credit was originally meant to assist the tiny subsistence businesses of the poor. But the loans had to be repaid with interest, which was usually higher than the market rate. Despite this, Yunus reported repayment rates as high as 96 percent (Yunus & Jolie, 1998), later symbolized by the catchphrase "the poor always pay back" (Dowla & Barua, 2006). The intervention was initially called microcredit and subsequently renamed microfinance, as other small-denomination financial services were added to the mix, such as micro-savings, micro-insurance and most recently mobile banking. Microfinance was soon dubbed the *ideal* development intervention. Studies indicated that it could effectively alleviate poverty, empower poor women (Pitt, Khandker, & Cartwright, 2006; Khandker, 1998), and facilitate community engagement through group lending (Osmani, 2007). In such arrangements credit would be extended to groups of between five and twenty, with each member jointly responsible for the loans of others. Members would usually be neighbours, friends or extended family (Gine & Karlan, 2007). Group lending began to be known as solidarity lending and was considered a powerful platform for empowerment (Rankin, 2002).

There are three main ways in which the present study makes important contributions to the existing literature. First of all, it provides an insight into the evolution of microfinance, in light of the global development discourse and the public policy choices that have been made in this regard. It then uncovers how this evolution has played out in actual practice on the ground and its subsequent impact on the intervention's clients and those that get left behind.

Secondly, the study provides an authoritative account of how institutional structure impacts microfinance’s effectiveness as a development intervention, especially as traditional NGO microfinance institutions (MFIs) transform into microfinance banks (MFBs). Countries, including India, Sri Lanka and several African nations, are currently in the process of drafting regulations to convert their microfinance institutions into banking institutions that can be regulated directly by the central bank, in the hope of expanding outreach and achieving financial sustainability. This study can serve as a source of lessons learnt to these countries and others that may join in later, for it provides insights into how development processes and outcomes such as social mobilization, women’s empowerment and other aspects of individual wellbeing are affected when institutional structures are transformed.

Finally, the study deepens our understanding of how the local political economy shapes and constrains development, even when the intervention is market-based and self-sustainable. The role of microfinance in conflict-affected areas is examined in detail. In addition, the impact of an economic crisis, weak governance, corruption and culturally persistent gender disparities is discussed with respect to microfinance.

2. Method

This section presents the research methodology, data collection and sampling methods to be used for conducting the empirical study. Qualitative research methodology was used because the investigation involves an in-depth study of entities such as Microfinance institutions, legal, institutional, and policy issues. Qualitative research was used to examine the attitudes, feelings and motivations of the women in Bindura rural. Qualitative research is most suitable for exploring the complexity of challenges that urban women face in accessing, controlling and repayment of microfinance loans. It also allows the researcher to gain insights into participants’ views and interactions. Purposive sampling will be used in this study. The use of purposive sampling is based on the research questions and guided by theoretical principles aiming at maximum variation which captures the diversity of the population and strengthen the exploratory power of the study (Lincoln & Guba, 1985; Bryman & Burgess, 1997). In this study, the sample was continuously refined until it was able to provide adequate understanding of the processes and problems associated with accessing microfinance loans by women and also making meaningful comparisons between the diverse actors involved in micro-financing.

Semi-structured interviews, observation and documentary search were used to collect data. Bless & Higson-Smith (2000) states that key informant interviews provide the researcher with a ‘direct personal contact’ with the respondent who is asked questions relating to the research problem and serve as a qualitative technique to solicit first-hand information, or primary source. The technique facilitates the collection of valuable information from knowledgeable members of society. Semi-structured interview respondents were drawn from twenty five women who had accessed micro finance loans, 3 managers of microfinance institutions, and the Zimbabwe Association of Microfinance Institutions (ZAMFI). Documentary search will be used to obtain information and discourse among regulators, scholars, and the larger society on the operations of microfinance institutions. These documentary data were collected to provide some backgroundwith which to make sense of observed practices and other evidence (Gillham, 2000). It is meant to provide some history of the operations and regulation of microfinance institutions in Zimbabwe. Documents consulted included the Reserve Bank of Zimbabwe (RBZ) documents, ZAMFI publications, policies, newspapers, books and administrative instruments such as relevant Acts of Parliament.

This study is informed by the capability theory most often associated with the economist Amartya Sen and philosopher Martha Nussbaum, who have deeply influenced development theory and practice since the 1990s.

2.1 The Capability Theory

The capability theory defines poverty as deprivation of the freedoms people value. People are poor when their opportunities are limited and the means to ensure their wellbeing do not exist for them (Alkire, 2007). This conceptualization of poverty and marginalization is used to analyze the experience of microfinance's clients. The concept of multi-dimensional poverty is informed by the capability approach. The traditional measure of poverty in economics has always been income, which has defined a uni-dimensional poverty line (Alkire & Sarwar, 2009). The capability approach moves the discussion on poverty away from a single-minded focus on income to one that incorporates inadequacy of food, clothing, shelter, self-esteem, employment opportunities, and market access (Sen, 2000). The theory has two essential elements: capabilities and functions. Capabilities are the *freedoms* people have to lead the kind of lives they value, while functions are the state of being or doing valued by the individual. Thus, the capability approach views poverty as deprivation of the freedoms people value (Alkire, 2007). People are poor when their opportunities are limited and the means to ensure their wellbeing do not exist for them.

As a development construct, this theory has been instrumental in shaping the human development approach, a development paradigm that informs policy choice in several areas, including poverty (Fukuda-Parr, 2003). Thanks to the capability approach, the multidimensional view to poverty and wellbeing has entered the mainstream since the 1990s (Alkire& Sarwar, 2009). Academics routinely turn to this approach to analyze development interventions (Tao, 2010; Ferrero & Zepeda, 2006). The question is how does this theory evaluate the effectiveness of microfinance? From the capability perspective, if financial exclusion means the poor do not have access to formal sources of credit then anything that helps them overcome this improves their capabilities. Thus, the theory can actually provide a rewarding framework for proponents of microfinance (Cabraal, 2011; Mohindra & Haddad, 2005).

On the other hand, the capability approach stresses that true development must enhance total individual wellbeing. In other words, the concern here is with *combined capabilities* (Nussbaum, 2002) rather than individual ones. This implies that if microcredit only improves access to formal credit, without a commensurate increase in other aspects of poverty such as health, and education, it may measure poorly against other poverty reducing interventions such as job creation in the formal sector, where employee health benefits and other opportunities for enhancement in wellbeing are also offered.

One challenge in using the capability approach is figuring out how to operationalise it (Comim, 2001). Because of the rich array of desired capabilities Amartya Sen, its primary author, provides there are practical issues to consider such as which one to place above others, and how exactly to value a particular set of capabilities (Sugden, 1993). Alkire (2005) refers to this as Sen's "fundamental or assertive incompleteness". She defends him by saying that no one list of capabilities can be made relevant to every assessment or evaluation. She argues instead for a participatory approach in developing a list of capabilities, keeping the local context in view. Using Alkire's suggestion, I develop the following set of indicators to assess the experiences of microcredit clients in Zimbabwe. These include both economic and non-economic measures. The economic measures include: setting up of a new business or the expansion of an existing business as a direct result of the loan; self-perception of improvement in economic wellbeing; and reduced reliance on informal borrowing.

The choice of economic measures is based on the existing literature. The primary purpose of microcredit has been to allow the poor to set up a new enterprise or expand an existing one. The businesses of the poor across the global South are generally considered to be high return ventures (Field, 2012), with an estimated average marginal return to capital of 100 percent per annum (Huegerich, 2012). If this is correct we should expect the perception of wellbeing among borrower households to rise significantly.

The second indicator measures self-perception. Self-perception has become an increasingly popular measure of wellbeing in economics (Cracolici, Giambona, & Cuffaro, 2011; Hoyo & Seifert, 2002). Scholars argue that self-perception of economic wellbeing should be included in economic analysis for the simple reason that perception is after all a key target of economic policy, even if it does not exactly measure actual welfare. Critics argue that non-economic factors, such as marital status, can affect self-perception as it relates to economic wellbeing, making it hard to determine the extent to which respondents' perception of economic wellbeing is free from non-economic effects (Cuffaro, 2011). However, this problem is avoided here since multiple measures of wellbeing are employed. Apart from spurring entrepreneurship, another major goal of microfinance is to reduce the reliance of the poor on informal sources of credit, such as borrowing from friends and family or the village moneylender (Collins, 2009). The third indicator will measure the extent to which microcredit has reduced reliance on informal sources of credit among the borrowers in my sample.

These three economic wellbeing measures should be able to inform us of the extent to which the institutions in my sample have been able to impact the lives of their clients. I also use three other measures of wellbeing, which include: the educational status of clients' children, proxied by school enrolment and attendance; homeownership status; and other benefits of receiving the loan. These noneconomic benefits are intended to measure the extent to which microfinance is able to improve multidimensional poverty indicators for borrower households. Research shows that education is a priority for the poor, but poverty leads to high rates of dropout (Narayan, 2000). Homeownership is also important, especially in large cities such as Karachi, where overpopulation and land grabbing has resulted in high rents, causing a great deal of economic hardship for the poor (Human Rights Commission of Pakistan, 2011).

Improvement in household spending and consumption smoothening (Banerjee, 2009) is a more recent criterion of borrower wellbeing, but one that has become increasingly important as the "credit as a basic human right" proposition has gained ground (Ogden & Morduch, 2013). The last indicator titled "other benefits of receiving the loan" considers big-ticket consumption items such as financing a family wedding or funeral through a microloan.

2.2 Defining Micro-Finance

The Zimbabwe National Microfinance Policy (2005, p. 5) defines microfinance "as the provision of a range of financial services, including savings, small loans, insurance, and money transfer services to marginalized members of the population and SMEs that do not have access to finance from formal financial institutions". According to United Nations (2005) microfinance is the sustainable supply of small scale financial services such as credit, savings accounts, and insurance to poor and low income people. Onyuma and Shem (2005, p. 199), assert that microfinance is the provision of savings, credit and/or other financial and business products that are micro in size to poor clients, who are conventionally believed to lack the capacity to save and the ability to pay the high interest rates charged by commercial banks on credit. They also highlight that most microfinance programs exclusively target the poor in the community, the majority of who are women because of the belief that they are the most poverty prone members of the community.

2.3 The Microfinance Debates

Despite its popularity, microfinance has recently become a controversial intervention. The literature on microfinance includes heated debates, conflicting evidence, and controversial claims. This section reviews the main debates in the literature and examines the evidence for and against each one. The first deals with the claim that microfinance is a novel development scheme, the second considers microcredit interest rates, the third presents the dominant views on microfinance's main purpose, and the fourth provides an overview of how this study will analyze the question of commercialization and its impact on microfinance's effectiveness as a development intervention. To say that microfinance provides the poor with access to finance would be misleading. The poor already have a variety of ways to borrow. Contrary to popular images of informal finance, the moneylender is only one source of informal credit. Others include friends and family, the middlemen that provide them with access to the market and the community general store where they make their routine purchases.

In fact, borrowing between family members, neighbours and friends is so common that a study of rural Nigeria found that on average a typical household was a borrower and lender 2.5 times (Udry, 1994). Similarly, obtaining merchandise or supplier credit is standard business practice in the informal economy, though access can depend on non-economic criteria, such as ethnicity (Biggs et al., 2002). Of course, credit is not the only informal financial service. Some form of informal savings clubs or

Rotating Savings and Credit Associations (ROSCAs), are available in most regions of the global South, and average participation rates are reported to be exceptionally high, ranging between 50 to 95 percent in countries such as Nigeria, Kenya and the Ivory Coast (Bouman, 1995). ROSCAs have traditionally been viewed as a savings mechanism for individuals with no access to formal savings or credit products (Levenson & Besley, 1996). But new evidence suggests that even when formal mechanisms are available, individuals, especially women, continue to use ROSCAs for different reasons, such as protecting their money from their husbands (Anderson & Baland, 2002).

Thus, the poor regularly tap into a rich and varied network of financial services. The literature on financial access and microfinance does not include these informal financial services within the microfinance umbrella. In fact, it considers informal finance to be a less than ideal mode of financial service delivery that is assumed to automatically disappear as soon as formal microfinance arrives on the scene.

Microfinance seeks to distinguish itself from informal finance by arguing that it provides non-exploitative, predictable and transparent access to finance (Roodman, 2012). Critics of informal credit say that it is an unpredictable source of finance, it can be exploitative, and if the poor are borrowing from members of their own community then their lenders are likely to be poor also, which implies that the amount borrowed is limited to how much the lender can afford to give (Collins 2009). Scholars argue that informal credit is easy to access, is available in small denominations, for very short periods, and involves highly flexible loan agreements that are subject to change even during the duration of the loan depending on the borrower’s circumstances (Srinivas, 1993). In one study, Banerjee and Duflo (2011) looked at various slums in Hyderabad, India and discovered that even in areas with an active microfinance presence, only a quarter of families were borrowing from microfinance institutions, though more than 50 percent remained clients of the local moneylender, despite having to pay higher rates of interest to the latter. They concluded that the moneylender’s flexibility on repayment made him a more popular choice.

Similarly, it is also misleading to imply that before microfinance there were no other formal mechanisms to provide the poor with credit. Credit cooperatives, postal unions, savings banks, and government sponsored subsidized credit schemes predate microcredit and continue to exist in the South (Roodman, 2012). For instance, the World Council of Credit Unions (2012) reports that there are currently 55,952 credit unions across 101 countries. This data does not include China, where the government runs an estimated 40,000 rural credit cooperatives (Ong, 2013).But critics contend that government sponsored interventions are generally corrupt, inefficient and most of the credit does not reach the poor because of political connections and bribery (Roodman, 2012; Braverman & Guasch, 1986). In comparison, as a private sector intervention microfinance is expected to be less susceptible to these problems.

2.4 The Micro-finance Sector in Zimbabwe

The sector remains underdeveloped. Microfinance activities are currently facing a number of challenges such as hyperinflation, acute foreign currency shortages, high unemployment levels, high incidences of poverty and a decline in real incomes and standards of living. On the other hand the industrial base is also shrinking. This has had detrimental effects in the development of the microfinance sector that is meant to serve the poor. The majority of women remain completely cut-off from the traditional banking services. Microfinance tends to thrive in developing countries where there is an increase in unemployment and poverty. As people seek to engage in informal sector activities to survive there is a growing demand for small loans for business, education, low income housing, agricultural inputs, micro-leasing and also for micro insurance.

According to the Zimbabwe Association of Microfinance Institutions (2019), the microfinance sector total assets increased by 13.1%, from $206.3 million as at 30 September 2018 to $233.5 million as at 31 December 2018. The asset growth was driven mainly by total loans which constituted 90% of the total assets. Investments in fixed assets have remained low, representing 5% of the total assets. The sector in terms of credit outreach continues to be dominated by top five credit only microfinance institutions with an aggregate loan portfolio of $157.3 million against total loans for the sector amounting to $207.3 million as at 30 December 2018. As shown below the top 5 MFIs accounted for 75.8% of the total loans, while the largest MFI, with total loan book of $67.6 million had a market share of 32.6%.

Zimbabwe has been characterised by very high unemployment levels exceeding 90%. High unemployment levels have undoubtedly contributed to high levels of poverty and poor standards of living. Most people have ventured into the informal business sector. However most of these people who have informal businesses are lacking funding as a result of failing to access funds from banks and other financial institutions. This calls for the Micro-finance Institutions to effectively participate in promoting entrepreneurs by providing the financial needs that best suits the entrepreneurs.

2.5 Poverty Alleviation and Financial Access

The idea that financial inclusion can overcome chronic poverty may have gained currency recently (Morse, 2000; Weiss, 2003), but it is nested within an older narrative, known as the *finance-growth nexus*. Some scholars have argued that financial development was necessary for economic growth (Goldsmith, 1969; McKinnon, 1971; Shaw, 1973). The main argument was that a healthy financial system would promote economic development by raising the level of domestic savings and investments, especially among financially constrained borrowers (King & Levine, 1993; Claessens, 2006; Beck, Levine, & Loayza, 1999). More recently, this theoretical framework has been employed to assess the impact of financial development on poverty and inequality across the global South (Li, Squire, & Zou, 1998; Rajan & Zingales, 2003). For instance, Bucchianeri, Burgess and Pande (2005) study the impact of the Indian government's credit initiative that required commercial banks to open bank branches in rural areas and conclude that poverty decreases faster in areas where more bank branches have been opened.

This idea of microfinance has been recognized internationally as a modern tool to combat poverty and for rural development (Sarumathi & Mohan, 2011) as it enables the poor to access credit to start own businesses. Microfinance firms are crucial in the development process of a nation as they provide small loans to the poor. Meier and Rudolf (2010) pointed out that access to credit by the poor helped in poverty alleviation by generating employment, income and enabling the poor to pay for their education and health care. Carlson (2011) maintains that microfinance is an effective tool for poverty alleviation through giving out loans, grants, insurance and financial products offered to the poor. In other words microfinance is considered to be a poverty reduction strategy and a social safety net for the poor people of society. The sector serves a large market niche that is not served by formal banking institutions.

This literature introduces access to finance as an important, perhaps even necessary, ingredient of anti-poverty policies (Hulme & Mosley, 1996). Often referred to as the "democratization of finance" argument, its proponents argue that formal finance has the capacity to overcome the economic exclusion of the poor. Shiller (2003, p. 2) in his book *The New Financial Order* described access to finance as a moral imperative. He argued that "we need to democratize finance and bring the advantages enjoyed by the clients of Wall Street to the customers of Wal-Mart", because, "finance must be for all of us in deep and fundamental ways". In a similar vein, Ferguson (2007, p. iv) in his book *The Ascent of Money* mentioned that "poverty is not the result of rapacious financiers exploiting the poor. It has much more to do with the lack of financial institutions, with the absence of banks, not their presence".

Such arguments parallel the "credit as a basic human right" proposition, first popularized by Yunus (2004) and now an integral part of the mainstream microfinance literature. At the same time, Ferguson's (2007) claim that access to finance can overcome poverty and marginalization includes only the "industrious poor" (2007, p. iv). The question is, how many poor individuals are we to consider "industrious"? Traditional microcredit theory claims that most poor people *are* industrious, in other words, ready and willing to become entrepreneurs, particularly if they happen to be women (Yunus, 2004).

The idea behind microfinance, at least as it was originally formulated, was to introduce formal financial services to those working in the informal economy, where by some estimates, the smallest businesses on average produce a marginal return on capital of 100 percent per annum (Huegerich, 2012). A study of Pakistani microenterprises estimates that the average return on assets varies between 29 and 133 percent (Shorebank International, 2011). Of course, what is not mentioned in these studies is that the businesses of the poor are chronically short on capital and the difference is made up by intensive use of family and non-family, wage or unpaid labour. This means that measures such as return on capital and return on assets tend to conflate the true picture. Nevertheless, such studies have greatly influenced our view of the businesses at the "bottom of the pyramid" (Pralahad, 2005) and microfinance continues to be considered a necessary ingredient in the "inclusive growth" model (Khavul, 2010). In this model, microenterprises serve to fuel economic growth and social transformation.

But even scholars sympathetic to microfinance have begun to admit that not every poor individual is capable or even interested in becoming an entrepreneur. Instead, poor families need credit for day-to-day events such as sending their children to school, making home improvements and paying for funerals (Bauchet, 2011). Ogden and Morduch (2013), who run the Financial Access Initiative in New York, employ a rights-based narrative to argue that there needs to be a shift away from a single-minded focus on entrepreneurship and formal financial services should instead be considered a basic right for all.

A study by Banerjee (2009) was not the first to find that the link between microfinance, poverty and empowerment was ambiguous. Morduch (1998) had earlier replicated Khandker and Pitt's (1998) research and his study found that while microcredit was associated with a reduction in the consumption volatility of the poor, it did not increase overall consumption levels. Other studies have also confirmed that microfinance does not have a significant impact on the wellbeing or empowerment of the poor (Duvendack, 2011; Karim, 2011; Isserles, 2003). It is little surprise then that microfinance's supporters have now opted to promote it as a tool for financial access, rather than poverty alleviation and women's empowerment. The argument is that access to financial services allows the poor to smoothen their income and consumption, manage their risks and build their productive and non-productive assets (Ledgerwood, 2013). At the same time, if there is no solid evidence against improvements in the poverty and empowerment status of its clients, can deep investments in microfinance by global institutions, governments of the South and charitable organizations continue to be justified?

2.6 Microfinance and Women Empowerment

The main idea of microfinance is to empower women by providing financial backing they need to start business ventures (Sarumathi & Mohan, 2011). Lack of access to credit was one of the major contributing factors to poverty (Tehulu, 2013). The poor lacked access to finance to start income generating projects. Berenbach and Churchill (1997) cited in Thrikawala (2013) argued that the formal banking sector in developing countries served around 20 per cent of the population. Tehulu (2013) further mentioned that empirical evidence on hand stipulates that less than 15 percent of the population in developing countries has access to mainstream finance services. In Zimbabwe, the Reserve Bank of Zimbabwe (RBZ) (2012) reported that less than 3 per cent of rural households had access to financial services. The formal financial system failed to provide financial services to the poor clients of society due to high levels of asymmetrical information. It is further asserted that the formal banking system excluded the poor people from credit facilities because they lacked collateral security and had unstable incomes. The transaction and monitoring costs faced in the process of accessing micro credit were also very high.

The main mission of MFIs in an economy was to provide financial services to the poor who were excluded from borrowing from the large commercial banks (Brune, 2009). This helped to alleviate poverty among the suffering poor. Recent studies on the impact of MFIs on the lives of the poor have come up with mixed results. Some studies concluded that MFIs were an effective means of fighting poverty but others concluded that MFIs worsened the level of poverty among the poor.

3. Result

3.1 Rural Women's Financial Access to Micro Finance Institutions

The majority of rural women interviewed indicated that access to formal sources of finance in Zimbabwe was severely restricted due to both supply and demand side factors. Supply side factors include the unwillingness of MFI to lend to rural women because they lacked collateral security. Demand side factors included poor socio-economic conditions, gender inequalities, low educational levels and the general lack of financial literacy. One woman indicated that:

> "Our biggest challenge is lack of collateral. These MFI are not willing to lend us enough money to start big projects. We are always given small amounts which are not enough".

Another woman also supported the above assertion by indicating that:

> "The current socio-economic conditions in our country make it hard for these MFI to lend us. Another worry for us is their lending rates are very high such that most of us struggle to pay back the loans. Some have lost their cattle and goats after failing to repay the loans on time".

A manager from one MFI argued that:

> "There is a low uptake of loans especially from rural women. Their greatest fear is the high interest rates that we charge on our loans. Our economy is struggling and as MFIs we also need to cushion ourselves from the inflationary environment that's why we are charging high interest rates".

A key informant from the Zimbabwe Association of Micro Finance Institutions was of the view that:

> "Poor people need safer, more affordable and convenient ways of managing what little money they have. While many financial institutions have discovered that poor people make good borrowers, fewer have figured out how to provide savings to poor clients. Savings is a harder product to deliver. Unlike credit, poor people are not willing to pay a lot of money or travel long distances to put small amounts into an account".

Some of the women participants indicated that they had access to informal financial services sector such as Rotating Saving and Credit Schemes, moneylenders, store credit and money transfers, while the unorganized sector includes borrowing from family and friends.

MFIs can offer a broader can offer a broad range of financial products. However, they cannot replace loans from friends, family members but they do compliment them and enable rural women to access a wider range of financial services.

MFI offering financial services in rural areas are confronted with a broad array of challenges such as high transaction costs. The provision of financial services in rural areas is associated with high unit costs both for institutions and for their clients. This is due to the fact that infrastructure for transport, communication and information technology is less developed in rural areas, as well as to the remoteness of these areas. Clients frequently have to travel long distances to deposit savings or repay a loan. As they usually travel on foot, this can cost them an entire working day. Rural financial institutions face additional costs for ensuring security and managing liquidity. High unit costs are usually passed on to the clients, with the result that users in rural areas frequently pay higher interest rates than people in urban areas. Another challenge is higher risks. Credit risk is higher in rural areas both for borrowers and for rural financial institutions. The revenues of rural households, whose incomes mostly depend on seasonal agricultural and livestock production, are volatile due to fluctuating weather conditions and pests or diseases. In addition, price fluctuations are high in the agricultural sector. Generally, rural households depend on one or two sources of income only, increasing the risk of credit default. Many households either entirely lack collateral or do not have a legal title to their house or land. MFIs have no means of securing their credits against defaulting. Defaulting clients run high risks as well: financial institutions will typically impose punitive interest rates for delayed payments and might even confiscate assets of defaulting clients (Diagne & Zeller, 2001).

3.2 The Role of Micro finance in Rural Women's Empowerment

The respondents gave varying views on the role of micro finance in rural women's empowerment. Some of the respondents confirmed that microcredit gave them many economic benefits. This research found that many microcredit borrowers had built small shops, started small income generating projects such as poultry, market gardening, sewing and brick moulding projects. One female participant mentioned that:

> "Our economic situation has improved and it's getting better every day. I am happy because I am contributing to my family. The level of domestic violence has also decreased as I am now able to provide financial support to my husband and family".

A key informant from the Zimbabwe Association of Micro Finance Institutions mentioned that:

> "Even though the loans are small, they help to create entrepreneurship among poor women, which has made a big impact on their social and economic lives. There are also consequential long-term impacts of microcredit in rural women's lives. For example, microcredit allows them to earn profits and to contribute to their families. Thus, their position in their families is upgraded. Domestic violence and other conflicts have remarkably been reduced".

Some rural women claimed that microcredit does not impact women's empowerment. They questioned the sustainability of the borrower's development through microcredit.

One female participant who participated in the study indicated that:

> "Although microcredit allowed poor, rural women to access capital, it is not sustainable. In addition microcredit creates a vicious cycle of dependency on credit for the borrowers. The relation between MFIs and its borrowers is give-and-take. The interest rates are very high and unaffordable to most rural women who rely on peasant farming".

A Manager from one MFI gave a different perspective by arguing that:

> "The colossal impact of microcredit is empowering its borrowers. MFIs are becoming more and more popular among the poor rural women because of their good deals and good work. There are a number of cases of women who have benefitted from our loans and have been

empowered".

3.3 Challenges to Rural Women's Empowerment

In this study, respondents were asked to identify challenges to women's empowerment. The challenges were identified based on their own experiences. These included: lack of education, traditional social norms and values, religious norms and values, weak economic conditions, as well as a lack of social security and social justice.

The majority of the respondents' ranked lack of education as one of the most challenges o women's empowerment. One female participant indicated that:

> "Our biggest challenge is that as rural women we are not educated. Our society prioritises the boy child over the girl child and that's why you see most women being uneducated. There is need to give equal opportunities regardless of gender".

Traditional social norms and values were also cited as a challenge to women's empowerment.

One female respondent argued that:

> "In a patriarchal society like Zimbabwe, traditional social norms and values always influence the lives of rural women. Male-dominant cultural ideologies and discriminatory social structures control women's status. The constitution of Zimbabwe recognises that State should maintain gender equality, but doing so is difficult because of these social norms and values and their influence on society. Women are exploited and neglected everywhere in the society".

Another female participant cited religious norms and values as a challenge to women's empowerment. She mentioned that:

> "Most rural areas in Bindura district are composed of many apostolic sects. Their religious beliefs limit women's personal and economic autonomy. Women from apostolic sects are prohibited from social participation outside the household activities".

The current weak economic conditions in the country were also blamed for women's lack of empowerment. A female participant who participated in the study mentioned that:

> "One of the challenges affecting women's economic conditions is gender inequality. Men are responsible for earning money for their families, so they have superior positions and women are subordinate to them. As a result, rural women are treated as weak and insignificant in society. In rural areas work is divided according to gender. Women are responsible for working in the home, but they do not get any recognition for their work and it is seen as valueless. Men are the income-earning family members, and women and children are economically independent on them".

A key informant from the Zimbabwe Association of Micro Finance Institutions indicated that MFIs should adopt empowerment approaches. He argued that:

"Microfinance practices do not automatically produce the benefits of empowerment for women. Therefore, empowerment must be planned for it to result from microcredit. Empowerment approaches must help microcredit institutions to understand their abilities in order to contribute to the critical issues of women's empowerment. The idea of empowerment can be adjusted with other microcredit methods, such as financial sustainability".

Women's empowerment is a multidimensional concept and so it cannot be achieved by a single partner. Collective efforts from all sectors are essential in order to promote the process of empowerment, particularly for poor women living in rural areas.

3.3 Overcoming Challenges to Rural Women's Empowerment

The challenges to women's empowerment can be overcome by supporting female education, increasing social awareness, improving women's financial stability, ensuring the proper implementation of government policy, and by fairly executing the law. These barriers can be overcome by ensuring social security for girls and women, increasing women's involvement in development programmes especially in rural areas, providing them with professional skills and training, and developing their entrepreneurial skills and income-generating activities. Rural women's dignity must be protected in the family, in society and throughout the nation. It is worth mentioning that the majority of the respondents highlighted female education, increasing social awareness, and financial stability/economic empowerment as leading factors that will facilitate the empowerment of rural women in Zimbabwe.

The majority of respondents claimed that education is an important tool to face the challenges to women's empowerment. One female participant mentioned that:

> "Educated women always try to improve their lives and participate in the decision-making process in their household. It is difficult for the male members of a family to ignore an educated women's decision. It is easy for educated women to convince their husbands, family and community to ensure women's rights and better future of their daughters".

Another female participant mentioned on the importance overcoming the challenges to women's empowerment. She highlighted that:

> "There is need for the proper implementation of government policy on women's empowerment, ensuring the dignity of women at family, social and national levels, increasing women's involvement in both local and national level development programmes, providing professional skills and training, as well as developing entrepreneurial skills and income-generating activities".

A Manager from a local MFI argued that financial stability for rural women was a key factor in women's empowerment. He mentioned that:

> "Reduced access to financial activities is caused by the financial vulnerability of poor rural women. Women need access to loans so that they can contribute to their husbands and families".

According to the Organization for Economic cooperation and Development (OECD, 2012) Women's economic empowerment is a prerequisite for sustainable development and proper growth. Achieving women's economic empowerment requires sound public policies, a holistic approach, and long-term commitment and gender-specific perspectives must be integrated at the design stage of policy and programming. Women must have more equitable access to assets and services; infrastructure programmes should be designed to benefit the poor, both men and women, and employment opportunities must be improved while increasing recognition of women's vast unpaid work. Innovative approaches and partnerships include increased dialogue among development actors, improved coordination amongst donors and support for women organizing at the national and global level.

4. Discussion

Microfinance is a tool to enable poor rural women to start their own business to survive in the society, lift out themselves from poverty, and save something to fulfil their basic needs. The provision of microfinance products enables poor rural women to set up income generating activities that ultimately provide them with income for their domestic consumption. Therefore, the intervention through micro finance has a substantial positive impact on their lives of the society in general and the poor people in particular.

MFIs are now shifting their emphasis from financial sustainability to a renewed concern on social performance and the double bottom line. The bottom line concept suggests that a MFI should aim to become a sustainable commercial institution and a driving force for social development (Tulchin, 2003). In Zimbabwe, MFIs have also come under considerable pressure to provide proof to stakeholders especially the government and shareholders that micro finance services are a sustainable way to assist the poor rural women in their economic development. The interest in developing a social performance measurement tool with a common set of key social indicators to go hand in hand with the financial performance indicators is manifested in the growing number of initiatives to measure social performance.

Microcredit is one of many important ways of promoting rural women's empowerment. The assumption is that microcredit makes women financially independent by providing them with access to capital, which results in increased bargaining power when they participate in their household's decision-making process. It also gives them higher prestige and more self-esteem since it promotes their empowerment. In addition, some claim that microcredit has reduced poverty by increasing the financial stability of its borrowers (Mayoux, 2009). They also claim that it lead to a series of "virtual spirals" of economic empowerment by improving rural women's positions and by increasing their social and political empowerment, which contributed to gender equality. Microcredit has contributed great to the process to economic development by supporting low-income people, particularly poor rural women living in Zimbabwe.

The challenges to women's empowerment can be overcome by emphasizing female education, increasing social awareness, implementing governmental policies, fairly executing the law, and ensuring social security for girls and women. In addition, these challenges can be overcome by ensuring women's dignity in their families, in their societies, and in their nations. Empowerment can also be achieved by increasing women's involvement in both local and national development programs. This will provide them with professional training, and it will develop their entrepreneurial skills so that they can pursue income-generating activities. Among these factors, female education, building social awareness, economic development, supporting the rule of law and justice, and social security are the most important factors.

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