An Analysis of The Impact of Microfinance Institutions' Services on Women Empowerment in Bulawayo

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ABSTRACT

This study analyzed the impact of MFI services on women's income. The study used women's income, as a proxy for financial empowerment. A survey research design was adopted. Primary data was collected through questionnaires from a sample of 164 women, 82 being beneficiaries and 82 non-beneficiaries of MFI services. Snow balling sampling technique was used to identify respondents The questionnaires collected from beneficiaries and non-beneficiaries were 80 and 77 respectively. The response rate for the beneficiaries was 97.5 % and 93.9% for non-beneficiaries. Data was analyzed using descriptive statistics, Cross tabulation, Kendall Tau-b correlation test and Mann U Whitney Difference tests were used for data analysis. The study found a positive and significant relationship between MFI services and women's income. The study found that access to Microfinance Institutions' services by women led to increase in their earnings. However, despite such impact, the majority of women faced challenges accessing MFI services due to weak currency, hyperinflation, exorbitant interest rates, lack of education and lack of collateral. Lenders require immovable property as collateral which poses a major challenge for women as it is traditionally owned by men. The study recommends that MFIs need to aggressively campaign in order to create awareness on the availability of MFI services.

Keywords: Financial Empowerment, Microfinance Services, Women,

INTRODUCTION

Lack of access to finance is one of the major barriers faced by women. Zimbabwean women remain marginalized and financially excluded because they lack the required documentation and financial records to open a bank account. Women lenders are exposed to loan ceilings and collateral demands which are not favorable (Gwaka and Wilfred 2015). Limited access to formal education, ownership of property and social mobility and stereotypical attitudes formed by gender roles are some of the barriers that women face as they try to access formal finance. In some instances, because of this traditional gender role they are not viewed as entrepreneurs by banks which affects their access to credit. Additionally, women have a higher refusal rate because of lack of experience in dealing with lending institutions, incapacity to build a credit rating, financial illiteracy, nonexistent networks, innate gender bias and inflexible lending procedures (Madill,2006). According to Mpofu (2013), collateral is one of the fundamental criteria for passing a bankable project. Women lack collateral to pledge as security for borrowing because banks require immovable assets that are two times the value of the borrowed amount. Besides, most formal institutions prefer using group lending and guarantors which is usually beyond the scope of most women's personal assets and credit track record.

Many women who endeavor to go into the so called man's world frequently find their way obstructed by discrimination and laws that are set against them. In Africa failure of economic structures to provide viable sources of income for women often causes them to embrace the world of entrepreneurship **(**Derera *et al* ,2019) In Zimbabwe before independence, Women had commonly been thought of as unskilled, inferior to their male counterparts and were objects of oppression. They were just regarded as housewives and child bearing machines (Mukorera &Mahadea,2014). After independence many gender policies were executed to empower women in the economy. The emergence of women in the economic landscape was also driven by the massive crash of the Zimbabwean economy which left many breadwinners unemployed. The industrial hub of the country, Bulawayo was hit by massive deindustrialization which hit most households economically. Hence desperate conditions emanating from unemployment, redundancy, recession and inadequate family income made women start businesses.

The lack of proper documentation to access funds from formal financial institutions has led to the use of informal finance by women. These sources include loans from family and friends, trade credit, loan sharks, rotating money savings and credit associations (ROSCAS) and pawnshops. Poverty stricken women generally use these informal sources to get the initial startup which they spin to increase their income (Kasseeah,2015). The benefits of these informal sources are that they offer easy credit, they are flexible and they do not require any collateral. Family loans come at lower interest rates and have longer repayment periods. However, their ambiguous terms and conditions result in misaligned expectations amongst parties. Additionally, when one fails to pay there is bound to be social awkwardness and irreversible damage to relationships. Loan sharks or money lenders give easy access to funding with confidence in character of the borrower being used instead of collateral. However, their interest rates are very high and payment cycles tend to be confusing (Kamal,2022). This usually results in default by unsuspecting borrowers. When this happens they are pressured into borrowing more to repay one debt with another. This vicious cycle of continuous debt is propelled by violence and intimidation which defeats the whole purpose of the financing (Noumigue ,2015). The cons of informal sources of finance outweigh the benefits they offer. Hence the need for Microfinance Institutions to empower women.

Microfinance advances the welfare of economically excluded people through enhanced access to finance. Dasgupta (2000) pointed out that Microfinance through informal groups improved access to satisfactory credit, low transaction costs for both lenders and borrowers basically empowering women. Access to services like microcredit, micro insurance and savings from microfinance institutions has globally empowered women. (Hameed et al (2018). Evidence from Kenya Women Finance Trust revealed that financial empowerment of women in lower income classes was made possible when the procedures for obtaining loans were eased by microfinance institutions. (Mjomba,2011). A study carried out in ROSEWO microfinance institution in Kenya showed that access to Microfinance services increased the incomes of women and smoothened their irregular income streams, (Kireti *et al* ,2014). In Ethiopia and Burkina Faso the use of Microfinance enhanced the participation of women in income generating projects resulting in greater financial independence (Mengstie,2002; Phillips ,2007). Positive impacts of MFI seen in Kenya, Bangladesh, Uganda, Burkina Faso, Ethiopia and other places has resulted in the emergence and use of MFIs as a solution to the challenges Bulawayo women were facing in accessing finance. Therefore, this study sought to investigate the impact of MFI services on women financial empowerment.

RESEARCH OBJECTIVE

The main objective of the study was to analyze the impact of Microfinance Institutions' services on financial empowerment of women in Bulawayo.

LITERATURE REVIEW

Khan *et.al* (2011) posits that a positive relationship exists between women's access to microcredit facilities and their income generating activities and empowerment. According to Kato (2013), microfinance has a positive impact on women's livelihood evidenced by increased employment of women in microenterprises and improved productivity of women's income generating activities. These activities lead to higher income that helps women better perform their reproductive role as brokers of health and nutrition. Khan *et.al* (2011) and Kato (2013) share the same views on the effect of microfinance services on women's income. Their views slightly diverge, in that Kato (2013) reveals that not only access to microfinance services increases income but engaging in income generating activities increases income of women. Ike (2013) asserts that the effects of MFI services are different for beneficiaries and non- beneficiaries. In a study carried out in Nigeria, the women accessed credit and deposit as microfinance services whilst none received insurance services. The Average income of beneficiaries and non-beneficiaries before the study were Naira 162 480 and 163 572 respectively. The income of beneficiaries grew by about 46.67 percent (from Naira 162480to Naira 238 480.42) as against that of non-beneficiaries which grew by only 11.6 percent.

Okibo *et.al* (2014) conducted a study that revealed that participation in microfinance credit improves group or individual productive income. Figures indicate that before accessing microfinance loan, the average income was KES 13 021,7(USD 143.24). After accessing the loan, average income had increased to KES 21 782,6(USD 239.61). Fofana (2015) attests that participation in MFI credit has led to a positive change in particular income. A positive difference in income was noted between women who received MFI credit and women without MFI credit. This meant that female borrowers on average earned more income than non-borrowers. Thus a conclusion was reached that MFI credit has helped women to improve the level of their income. According to Jamal *et.al* (2014), change in asset value, change in income, change in consumption pattern reflect the impact of microfinance. After joining the SHG, the income, savings and assets of the members increased. Thus the Duncan multiple range test showed that the economic empowerment of respondents is high after joining the SHG.

Economic empowerment of women is seen from an increase in their incomes. In a study conducted in Nigeria with 26 respondents, 65% of the respondents revealed an increase in income and employment resulting from taking part in MFI programs. The assumption that microfinance generates income and increase employment of female clients is thus supported(Awojobi,2014). Jinia (2016) states that joining microcredit programs results in significant changes in women's receipt, money and increased incomes as well as involvement in the household decision making process. Awojobi (2014) and Jinia (2016) agree to the fact that, involvement in microfinance or microcredit programs increases the income of women. According to Seddoh (2014), 180 of Plan Ghana's microfinance scheme beneficiaries were earning not more than 100 Ghana Cedis. Intervention by Plana Ghana's microfinance scheme through savings services lead to capital accumulation for investment in short and long term hence majority of 67.8% beneficiaries began to earn relatively high incomes with some earning 201 Ghana Cedis or more. With high levels of income women are empowered. According to Samer *et .al* (2015), access to microfinance has positive impact on borrowers in urban India. Research findings on the relationship between access to AIM loan and the household income of borrowers showed an increase in old clients' income increasing by 2.5 as compared to new clients. Seddoh (2014) and Samer *et.al* (2015) share the same views on the impact of microfinance services on women's income. However, their views differ in that Seddoh (2014) infers to savings service as the one that increases women's income while Samer *et.al* (2015) refers to Microloans.

Another similar study carried out in India, Field *et.al* (2016), found that an increase in the share of household income produced by women was due to greater access to microfinance. According to Bernard *et.al* (2016) targeting women (who are the poorest of the poor) by microfinance programs promotes their productivity, making such move to be one of the critical intervention measures in addressing the challenge of gender disparity.

Chowdhury *et al* (2008) asserts that access to microcredit by women increases their income and ensures they enjoy more benefits like better education and health, livelihood diversification, violence reduction, self-confidence and self-esteem etc. Siwar *et al* (2011) as quoted by Kibunyi (2014) states that microfinance increases women's access to social and income generating activities. From the study carried out in Kenya, women respondents indicated a positive impact from access to microfinance as their incomes increased. Chowdhury *et al* (2008) and Siwar *et al* (2011) share similar views on the impact of microcredit on incomes of women. Overall the author's views show that access to services like microcredit, micro insurance and savings increase the incomes of women who are engaged in income generating activities than those who access these services without getting involved in any business activity Most authors are biased towards increase in income without necessarily considering that access to microfinance services only without any business activity cannot lead to increased income.

In a study carried out by Kireti *et.al* (2014), results of the findings showed that increased income levels, increased stocks and outputs of women enterprises were as a result of access to micro credit services. Women's irregular incomes were smoothened and increased to generate wealth due to accessibility of micro savings services. Rocque (2015) posits that a new set of income is created for women borrowers who take out microfinance loans and grow their businesses thus becoming financially independent from their husbands. Kireti *et al* (2014)'s view slightly differs from that of Rocque (2015) in that, the former mentions that not only microcredit increases the incomes of women but also micro savings.

Chakraboryt *et al* (2013) postulates that women gain satisfaction after joining microfinance institutions and accessing their services as their income increases and notable changes are seen in their family conditions. Sarania (2015) asserts that improved living standards and incomes of households emanates from women's participation in SHGs thus variation of income generating opportunities. The SHGs provide poor rural women with micro credit that increases their income and assist them to spend more for the development of their lives and families.

According to Makola *et al* (2017), women who have access to microfinance invest the money borrowed in income generating activities thus increasing their incomes.77 percent of the respondents of the study concur on the effect of access to microcredit being an increase in income. According to Busingye *et al* (2018) it is evident that loans helped women start up income generating activities thus increasing their household income as revealed by the women respondent's rate on the impact of microcredit on women's income. Access to microfinance services does not directly increase the incomes of women but engaging in business activities that generate income does. Makola *et al* (2017) and Busingye *et al* (2018) both agree on that access to MFI services and using the services in income generating activities leads to increased incomes of women.

According to Tariq *et al* (2018), availability of microfinance, training and savings increases women's average monthly income as well as consumption expenditure and income generating activities but they lack control over resources and assets. Anselmi *et al* (2016) carried out a research that revealed that women dominated most of the respondents of PRIDE Tanzania. Analyzing the trend of incomes, the results point out that 72.1 percent of the respondents established that their income is increasing due to credit financing (or after taking a loan) as most of them expanded their existing businesses. Tariq *et al* (2018)'s views complemented those of Anselmi *et al* (2016) as they pointed out that increase in income in women emanated from access to microfinance services that included microfinance, training and savings. Majority of the authors identified microcredit or loan as the microfinance service that was mostly accessed by women from microfinance institutions.

METHODOLOGY

The study employed a survey research design. The study was conducted on a sample of 164 women in Bulawayo. The researcher made use of primary data and gathered information through questionnaires. The data was analyzed using descriptive statistics, cross tabulation, Kendall tau-b correlation test, Mann U Whitney and Levene's independent samples test.

FINDINGS

Table 1 below shows a comparison of the results that were collected from women respondents on monthly income for both the MFI beneficiaries and non- MFI beneficiaries.

Table 1: Monthly income comparisons of Beneficiaries and non-beneficiaries

	Non MFI Beneficiaries		Beneficiaries Before MFI services		Beneficiaries after MFI services	
Income Bracket Range in RTGS $	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
200-500	50	64.90	41	51.30	2	2.50
501-1000	19	24.70	29	36.30	30	37.50
1001-1500	3	3.90	8	10	24	30
1501-2000	3	3.90	1	1.30	14	17.50
More than 2000	2	2.60	1	1.30	10	12.50
Total	77	100	80	100	80	100

Source: Author's compilation

It can be noted that, the income for MFI beneficiaries fell between RTGS$501and RTGS$1500 after accessing MFI services. When compared with the non-beneficiaries, most of them were in RTGS$200-500 range. The monthly income of MFI beneficiaries increased after accessing MFI services that is the microcredit or loans. These findings are in agreement with earlier studies. Ike (2013) in an earlier study analyzed the effects of MFI services among beneficiaries and non- beneficiaries. The study found out that income grew by about 46.67 percent for beneficiaries as compared to 11.6 percent non- beneficiaries.

We sought to find out whether there would be any changes in women's monthly incomes after they access

MFI services. Group statistics results from Levene's independent samples test and the Mann U Whitney test below show the differences on monthly income before and after accessing MFI services between FI beneficiaries and non MFI beneficiaries. Table 2 below shows the results.

Table 2: Group statistics on monthly income before and after accessing MFI services by MFI beneficiaries and non MFI beneficiaries

Description	Participant Status	N	Mean	Std. Deviation	Std. Error Mean
Monthly income – Before joining MFI	MFI Beneficiaries	80	1.65	0.813	0.091
	Non-MFI Beneficiaries	77	1.55	0.94	0.107
Monthly Income – After joining MFI	MFI Beneficiaries	80	3	1.079	0.121
	Non-MFI Beneficiaries	77	1.55	0.94	0.107

Source: Author's compilation

To determine whether the monthly incomes of MFI beneficiaries and non MFI beneficiaries were the same before accessing MFI services, the Levene's independent samples test and Mann U Whitney test were used.

Table 3: Difference between monthly income of MFI beneficiaries and non MFI beneficiaries before and after accessing MFI services

Description	Monthly Income – Before joining MFIs	Monthly Income – After joining MFIs
Mann-Whitney U	2696	844
Wilcoxon W	5699	3847
Z	-1.53	-8.157
Asymp. Sig. (2-tailed)	0.126	0

Source: Author's compilation

The findings in table 4.2.2 show, the group statistics of two groups that had different means monthly income(1.65 for MFI beneficiaries and 1.55 for non MFI beneficiaries) with u=2696, p=0.126, mean difference =0.1.A test for equality of means ~~was~~ carried out after MFI beneficiaries had accessed MFI services indicated that the two groups had unequal means .This was indicated by the results shown in table 3 U=844,P=0).The author observed that after accessing MFI services, women MFI beneficiaries had a mean monthly income value of 3 whilst the non MFI beneficiaries had a mean monthly value of 1.55.The mean difference widened when it was compared with that of non-beneficiaries , which meant that women with access to MFI services were in a better position to increase their monthly income as compared to non MFI beneficiaries. These results concur with the findings of Field *et.al* (2016), who found out household income increased with increase to access microfinance services by women. In order to show the relationship that existed between MFI services and women's monthly income, Kendall Tau-b test was conducted. This test was used to measure correlation between the loan amount accessed by Women beneficiaries and their monthly income after using those loans. The following table depicts the results:

Table 4: Correlation between Loan amount and Monthly income of Beneficiaries

			Accessed from MFI (Loan amount)	Monthly Income (After accessing Loan)
Kendall's tau._b	Accessed from MFI(Loan	Correlation Coefficient	1.000	0.529
	amount)	Sig. (2-tailed)		.000
		N	80	80
	Monthly Income(After	Correlation Coefficient	0.529	1.000
	accessing Loan	Sig. (2-tailed)	.000	
	)	N	80	80

Source: Author's compilation

The results from the Kendall Tau-b on a sample of 80 respondents in Table 4 revealed a correlation coefficient of 0.529 and a p value of 0. 000. This meant that there was a strong and positive correlation between the loan amount accessed and the women's monthly income. The results were statistically significant as the p value of 0.000 was less than the p value of 0.05. The findings concur with the findings of Kireti *et.al* (2014), who that increased income levels, increased stocks and outputs of women enterprises. The increased stock was attributed to increased purchasing power due to access to micro credit services(loans).

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

- The research concludes that there was a positive relationship between MFI services and women beneficiaries' incomes. It was noted that after accessing MFI services, women beneficiaries' incomes shifted from low income bracket to high income bracket. The results however showed that the non MFI beneficiaries mostly were in the low income bracket.
- Additionally, the study concluded that there was significant difference in income between women who received MFI credit and those who did not access MFI credit. Female borrowers who accessed MFI credit on average earned more income than non-borrowers.
- Lastly, it concluded that access to MFI services by Bulawayo women increased their earnings, making them to be economically empowered. However, despite the impact MFI services had on women,

majority of women faced challenges accessing MFI services due to weak currency, hyperinflation and exorbitant interest rates charged by microfinance institutions and lack of collateral.

RECOMMENDATIONS

- The study recommends that Microfinance Institutions should train women on ways that will help them to manage their projects sustainable,
- For the government, it is recommended that they should work with non-governmental organizations to open institutions that will offer relaxed conditions to help women access finance.
- Also, it recommends that Microfinance Institutions should clarify their vision so that they can successfully help empower women through relaxed procedures of accessing loans.

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