

Rural Transformation Through Off-Farm Enterprises: Micro-finance Projects in Murinye Village, Zimbabwe

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Abstract
The article assesses the contribution of Micro-Finance Project (MFPs) on the rural livelihoods development in Murinye village, Masvingo District. The significance of micro-finance project was undermined by rural development practitioners and benefactors of *Murinye* community who were overwhelmed by agrarianisation. Both quantitative and qualitative research methodologies using questionnaires and interviews respectively, were employed in the survey. The results indicated that MFPs enable people to build assets and save in advance. MFPs improve the living standards of rural people through increased household incomes, social capital, human and financial capital. Mismanagement of funds, defaults, lack thereof, risk of administration costs in loan assessment, follow up and repayment are challenges encountered in the running of MFPs. The research recommends that the government and NGOs should educate people on how to run their projects and use funds more effectively and efficiently. For the sustainable management of MFIs experts should be incorporated to improve the chances of success especially when they participate from the very earliest stage of project conceptualization.
Keywords: micro-finance, rural transformation, off-farm, poverty reduction

Introduction

World Bank (2006) defines micro-finance as a financial innovation that originated with the Grameen Bank in Bangladesh. The nascent micro-finance can be linked to in its linked to the Grameen Bank considered the first modern micro-credit institution established by Muhammed Yunus in 1978. He began the project by aveiling personal earnings as loans at low interest rates to the rural people of Bangladesh. In 1986 Micro-finance reached Latin America with the establishment of professional demonstration (PRODEM) in Bolivia and became a popular tool for economic development throughout the developing world countries. The micro-finance ideas was discussed in the Marshall Plan at the end of World War II. In the 1950s, the distribution of credits through community based initiatives in Pakistan was launched. However, the project failed due to the heavy Pakistanese government involvement and the hierarchies created within communities as certain members began to extent more control over the loans than others.

International attention on micro-finance in the 1980s and 1990s primarily focused on just one category of micro-financial service, that is, credit for self-employment. This led to investment and raised the beneficiaries above the poverty datum line (Cooper and Fraser, 1983). There are three types of micro finance projects (MFP), namely formal, semi-formal and informal MFP which can promote sustainable livelihoods of poor and vulnerable groups.

Many micro-finance organizations began as non-profit institutions running out of government or private subsidies. The 1980s saw the financial approach influenced by neoliberalism and cultivated by the Harvard Institute for International Development which became the dominant ideology among micro-finance (Champion and White ,1999).They noted that 'micro-finance picked up in Africa in the 1980s and by the late 1990s, the World Bank saw micro-finance as a way of contributing to its mission of poverty reduction since it involves providing credit and financial services and related training to poor micro-entrepreneurs to enable them to enhance their businesses and create employment and income for themselves'. Thus Micro-finance Institutions (MFIs) facilitate deeper economic, social, political and spiritual changes among the poor (Guelig et al, 2005).

In Zimbabwe, micro-finance projects were initiated in the 1980s (Dichter, 1999). It is estimated that as of the mid 1996, there were more than 1000 MFIs, '73% were NGOs, 13% credit unions (CU), 7, 8% Commercial Banks and the rest Savings Banks'. These four types constitute the world of formal micro-finance institutions. Volunteer Effects for Development Concerns (VEDCO) as one if the MFI began in 1992 and they used group lending and provided training and agricultural marketing services to smallholder farmers. Waddelue in Mandivenga (1997) says that the Savings Development Movement (SDM) was initiated in the 1960s by a Catholic missionary in Zimbabwe. SDM focused on the mobilization of the micro-savings of small group members, most of whom were women in rural areas. Since its founding, the movement gradually expanded and in 1998, the total number of SDM savings in Zimbabwe had almost reached 7000 representing about 100 000 members in the whole country. Their activities were based on the financial capital raised by club members and they received technical assistance provided by Self Help Development Foundation (SHDF). But in 1996, the SHDF introduced a micro-credit scheme to its members, hoping the scheme would further spur growth capacities to cope with credit. The credit attracted only urban rich people, which were not the main target of the program.

In Masvingo District, micro-finance projects such as Kupfuma Ishungu, Village Savings and Loan (VS&L), savings and credit cooperatives (SACCOS), FUSHAI and others began in 2008 initiated by NGOs, Commercial and Savings Banks. These have had success in assisting impoverished people engage in self-employment projects that allow them to raise income. Although micro-finance project is a tool for socio-economic development, poverty is still a major issue in Murinye area. It is against this background that the research sought to assess how off-farm enterprises transformed rural households' livelihoods activities through micro-finance projects in Murinye village Ward 16 in Masvingo District.

Micro-finance and Development

Madagascar- Microfinance Project

The Madagascar- Microfinance Project was formed on September 22; 1997 with the intention to develop credit operations to smallholders using the public banks, which were to lend to low-income clients through the creation of savings and loan associations (FAO, 2004). The project aimed at alleviating poverty by increasing the use of financial services by lower-income households in both rural and urban areas. The project provided an appropriate framework for developing savings and bank association. It also helped the local authority to put in place micro-finance intermediaries throughout the country and increasing their linkages with the banking sector and finally building competencies in micro-finance institutions through training of participants.

The Hunger Project in Africa

The Hunger Project in Africa aims at empowering women and men to end their own hunger. This is training, savings and credit programme that address a critical missing link for the end of hunger in Africa. 'Since the inception of MFPs, the Hunger Project has a loan portfolio of approximately US$2.4 million across Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique and Uganda' (FAO, 2004).

Kupfuma Ishungu: *Rural formal MFP in Zimbabwe*

Kupfuma Ishungu is a 'four year programme designed to, build the capacity of communities to mobilize and manage savings that can be used to grant loans to meet the production, consumption and social needs of vulnerable members of the communities (mainly women)'. It operates largely in 'rural areas and has limited coverage of semi-urban settlement. Its rural communities consist of households that are largely dependent on agriculture, but are willing to and or are already engage in off-farm activities to improve their sources of income'. Kupfuma Ishungu operates in different areas of Zimbabwe such as Zvishavane, Mberengwa and Shurugwi. 'These areas are among those hardest hit by HIV & AIDS in terms of prevalence' (Mc Donagh, 2001). The project enables clients to forecast crises, anticipate needs for lump sum cash, improve flows, enhance the viability of economic activities, preventing the sale of productive assets and going beyond the economic dimension of clients lives to counter the factors the allow spread of HIV & AIDS through outreach initiatives facilitating dissemination of information on HIV & AIDS issues leading to behavour change and mobilization of community action. Kupfuma Ishungu enables poor households to be proactive and resilient. Through diversification in sources of income households are able to protect as well as enhancing their assets. It also targeted at community members interested in joining savings and credit programs. Kupfuma Ishungu Rural Micro-finance Program (KI - RMFP) 'recognizes that vulnerable households which include those affected by HIV & AIDS suffer economic distress and need access to financial services, savings and credit'. The programme consists of capacity building for both communities and AIDS Support Organizations, self-managed village savings groups and enhancing the potential and capacity of local communities. Thus vulnerable communities and households have the potential to mobilize financial resources to strengthen their income-earning opportunities and build safety nets. Mc Donagh (2001) reported 'that the declining macro-economic trends in Zimbabwe not envisaged at the start of this project continually undermine gains that have been achieved by the project. Although individuals and group savings appear to have been increasing in real terms, the savings have actually diminished. This has several implications on the management of the project rather than focusing on the numerical growth in the project, more attention should be focused on maintaining and growing the value of returns in the midst of a growing inflation rate, insufficient priority has been given to evaluate the project impact on clients'.

Village Savings and Loan Model (VS &L)

VS & L is implemented by a self-help assistance programme and this project helps to put money in the hands of women in rural Africa (Versluysen, 1999). *Kufusa Mari Mutasa* is another VS & L project implemented in four wards of Mutasa District of Manicaland Province in Zimbabwe. The project was funded by Plan International for a period of three years and has just been extended for another six months. The goal of this project is to build the capacity of rural families to increase sustainable family income and thus be able to care for their children and extended families in the targeted wards. The VS & L model is a 'group based system characterized by savings driven financial services with no external borrowing, self-management, simplicity and transparency of operations, flexibility in loan sizes and terms, low group management costs met through group earnings and earnings retention in the group and community' (Allen, 2002). VS&L is 'simple and limits transactions and administrative costs and reduces the need for complicated management structures and record keeping. VS & L concept is flexible and can be attended to meet the basic need of clients by providing a simple savings and insurance products that can be used to fund everyday needs, life cycle events and emergencies. This model has the potential to achieve long-term sustainability because it is funded by the participants themselves and does not rely upon external sources of capital'. Fushai is a 'four year programme designed to build the capacity of communities to mobilize and manage savings that can be used to grant loans to meet the production, consumption and social needs of vulnerable groups (especially women). Fushai has 20% of the villages engaged in formal micro-finance project while ROSCAS has 10%' (Versluysen, 1999).

Savings and Credit Co-operatives (SACCOS)

'Savings and Credit Co-operatives are semi-formal savings that are grouped either on worker based or community based mechanisms. They are common in rural areas and offer savings and loan options as well as the opportunity to own shares in the SACCO' (Chigara & Mutesasira; 2001). 'In Zimbabwe, SACCOs are fraught with governance and leadership problems that arise because leadership selection process is not transparent. In addition, fraud and corruption are common due to lack of official government control and monitoring oversight. Savings clubs are an informal saving mechanism employed in rural areas which normally is composed of a group of 10-30 members who encourage each other to save through monthly or bi-monthly meeting'. 'The resulting fund is regularly deposited in a formal banking institution and parceled out to the members in proportion to their contributions on a pre-determined time, usually one year. In rural areas, saving clubs may be only savings mechanism available to women because they are seen as non-threaten by husbands who often forbid their wives to have bank accounts. The rural poor save for main incidences such as births, children's education, lobola (bride prices) and funerals. Other poor households the money saves to smoothen consumption spending in order to meet day to day needs. The poor save for emergencies such as sickness and death'(Chigara & Mutesasira; 2001). Savings are collected in order to exploit business opportunities and savings based mechanisms allow households to accumulate their own savings which they view as an asset rather than a liability.

Utility of Micro-finance projects

'MFPs improve the standard of living by raising awareness, aiding decision making and reducing poverty among rural beneficiaries. They help in the development of an economy by giving people the chance to establish a sustainable means of income. Eventually, as MFPs increase, there is an increase too in disposable income which leads to economic development and growth. MFPs have the potential to transform power relations and empower the poor, both men and women' (Goetz and Gupta, 1996). This 'reveals that women experience higher bargaining and decision making power within the family as they bring more income to the household. The increase in the household income trickles down to impact higher consumption standard, education for children and better nutrition'. Rogaly et al., (1999) posits that MFPs enable people to build assets which they will later be able to transfer to their children, thus increasing security across generations. By offering credit, training and services to the poor, MFPs helps them to create more employment and income, increase their capital and improve technology in order to grow their business. Micro-finance aims at facilitating deeper economic, social, political and spiritual changes among the poor. Moreover micro-finance activities bring clients in contact with other members of the community. By virtue of these attributes, they have the potential to reach large numbers of peoples with prevention oriented activities at a relatively low cost.

'MFPs activities can be used as an opportunity to share knowledge. Group based programs that bring clients together on a regular basis provide a chance for the exchange of information among clients' (Mc Donagh, 2001). In addition, MFPs enable the poor to use their ability and creativity to run business, develop innovative products provide services as well as create employment. This leads to a positive appreciation of the role of poor people played in society, thus increasing their self-esteem and dignity. It also transformed the poor from marginalization to integration through confidence development using the material, political and organizational changes that follow. They ended up involving themselves in elections, i.e. winning positions in political institutions at the community level (Champion & White 1999). 'More broadly, MFPs has proved to be an effective tool for facilitating transformation among the poor and empowering them to influence their own destinies' (Guelig, 2005). Despite all these cases of micro finance above, Zimbabwean ones, the ward 6 scenario have not been revealed.

METHODOLOGY

Both qualitative and quantitative research methodologies were employed in collecting information. The use of both qualitative and quantitative methods provided an opportunity to detect bias through the use of different sources of data which provided a wide means of verification. A questionnaire and interviews were used in order to assess the contribution of MFPs. Zimbabwe Statistical Office, 2002 census, Murinye village in Masvingo District is composed of 13,586 people. Information was collected from 40 members of MFPs (beneficiaries), 3 were collected from local institutions and 2 people from NGOs to make them 45. The stratified sampling technique was adopted. The targeted groups were divided into 8 different groups in order to assess the impact of MFPs and MFIs. Quantitative results were obtained using descriptive and for qualitative, content analysis were employed.

RESULTS AND DISCUSSIONS

Micro-finance projects (MFPs) in Murinye

Fushai and ROSCAS are the main MFPs in Murinye area. ROSCAS enables rural people to exploit business opportunities and allows them to accumulate their own savings which they view as an asset rather than a liability. People save in order to meet day to day needs and for emergencies such as sickness and death. The challenge with this saving is that, there is no guarantee that it will be available in the amount members put in or to withdraw. Thus the possibility of losing one's savings cannot be ruled. However the desire to save remains high and for the majority of women, their lifestyles have improved. Again, drop outs increases since members have no rules and regulations which control them.

Micro-finance projects and poverty reduction

There was an increase in household access to food, but not sufficient to improve the nutritional status of the most vulnerable members. Before Fushai, they got income through the selling of livestock. Fushai has reduced the rate at which assets are sold .Traditionally four beasts were sold per year for school fees and other services, but after Fushai, only one beat per year were sold, implying that Fushai project has cushioned the cost of other services. Fushai project improved rural livelihoods through employment creation and income generating. The forty beneficiaries, implies forty households members employed in the program. As shown in Figure 1, the composition of beneficiaries was gender sensitive. This increased household income (financial capital) and people were able to purchase commodities. Fushai enabled people to increase access to credit and to own assets such as housing and land, especially women. This allowed them to reduce women's dependence on men, thus lessening the gender gap at household level. The project also reduced rural poverty in that it enabled people to build assets in advance, thus increasing security across generations. This improves social capital as people become able to attain health, education, housing and food security. For instance, they will be in a position to send their children to school and pay for the requirements that go with it. If people get educated, they become able to change their way of life. Thus human capital development.

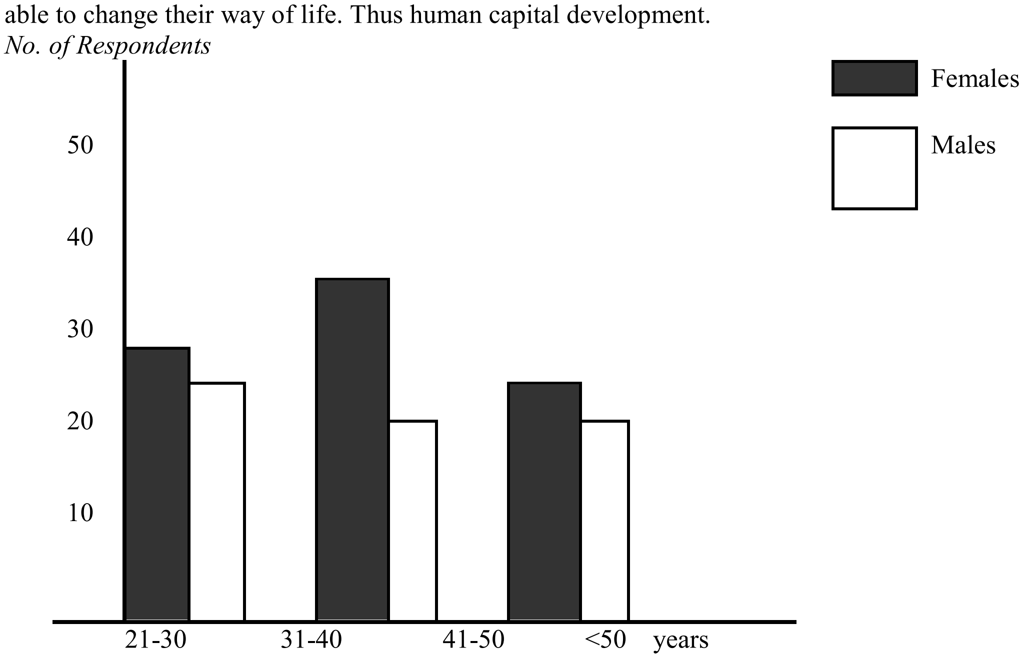

Figure 1: Age distribution of respondents

Fushai project has managed to reduce rural poverty through capacity building and community empowerment, meaning that rural people are empowered to do things on their own and not rely on others or donor aid. This 'appreciation of the financial contributions of women to the household has resulted in increased harmony between men and women'. Because of Fushai program, there is less fighting and more love in marriages since household violence frequency has been lowered. Women are being allowed to participate fully in financial decision making at the household level by their husbands. However, there are challenges affecting the success of this approach. There is evidence that dropout rates increase as credit ceilings are raised. The majority of the clients prefers larger amounts of credit, but are not always in a position to carry additional debt largely because of limited absorptive capacity. Often, clients drop out because of cultural pressures (especially women), migration or family problems. Lack of collateral security to project members is another challenge which limits them from borrowing loans from Micro-finance institutions. Mismanagement of funds and asset, that is, failure to properly use the money available has affected the project. 'They apply financial resources to the wrong uses or they maintain inadequate control over their resources'.

ROSCAS and Rural Poverty

ROSCAS 'increased financial capital since credibility extends to the organizers' ability to choose equally honest and reliable individuals to join the ROSCA and to perform the administrative tasks associated with funds collection and ensuring payment, even if it means assuming the payments of defaulting member'. ROSCAS provided 'opportunities for participants to network, support each other in economic endeavors and to congratulate each other in attaining a financial goal'. This encourages competition and support. They have educational institutions which support them with information sharing. They offer most of the services that financial advisors in banking institutions provide. By so doing income increases and people become able to transform themselves. 'Since a person's social capital is the basis of his or her creditworthiness and can grant him or her access to capital, ROSCAS' members depend on social capital to assess financial risk and viability, to promote forced savings, networking and information gathering and create group pressure that will guarantee continued commitment'(Philadelphiaafed.org, 25.03 2017). This lowers poverty as people become joined together on one mission, for example, by offering credit, people become able to create more income. This capital can be used to expand and grow their projects as well as generate income for their community.

Despite all these positives, there are problems associated with ROSCAS. 'It is associated with Risk of maladministration, fraud or bankruptcy by the leader of the programme where he or she can abscond with the accumulated contributions. Since there is no constitution or legal paperwork that governs ROSCAS, the leader may misuse the funds for their personal use and no one can ask them. Default from saving which would result in uncertainty that could stem from the possibility of a low payout from the ROSCA arising from the depletion of membership. Sometimes, the member who gets the pot or money first or last is most likely to default and this would inconvenience others who are last in the cycle' (Allen, 2002). They are unlikely to benefit from additional bank loans since they are not organized as a legal entity, if a member defaults, there cannot be any legal action against such member since ROSCAs are not registered.

Stakeholder and MFPs in Murinye village

CARE International is one of the Institutions which fund Fushai in rural areas. It provides funds to micro-finance members in order for them to run their projects. It also creates employment to the people through capacity building, that is, self reliance tends to increase. Thus, how CARE empowers the rural people to do things on their own. CARE also provides food hand out to the vulnerable people, thus lowering poverty. The governments introduced a new vision of inclusive financial systems that work for the poor majority. It provides financial services needs for clients and educate them through operational guidance. The government intervenes in the improvement of small holder agricultural production and nutrition, social, safety and provision of the Anti-retrovirus (ARVs) to those affected by HIV & AIDS. It also offers loans to micro-finance members and promote labor saving technologies in order for them to be effective and efficient. Commercial micro-finance Institution and banks are legally registered in Zimbabwe and provide micro-credit services to young women and men. It offers loans to youths and members whose projects demonstrate a significant job creation. They prepare economically and financially viable investments in market facilities and infrastructure and support services for agriculture business development and commercialized farming.

CONCLUSIONS

MFPs enables the rural poor to reduce poverty, poor households had access to credit and begin micro entrepreneurship which would enable them to improve their income.MFI have transformed the poor through participatory rural appraisal and empowerment. This has made them accountable and responsible for the fate of the project. Therefore, training courses for the beneficiaries are necessary since they are the ones who spend most of the time in the projects. The beneficiaries should get formally employed or get registered in order for them to have access to loans and be in touch with Micro-Finance Institutions (MFIs). As the crisis of the capital shortage in the country continues unabated, it is advisable that too much focus should be put on beneficiaries not project initiators and MFIs. If projects' beneficiaries are linked directly from MFIs, the chances of getting adequate funds for their projects are high. Thus, there is no likelihood of distortions in the finance if such a move is taken. MFIs should increase the availability of funds to meet operating deficits through quasi-equity, minimize the amount of equity like financing MFIs must raise and maximize their ability to leverage or lending funds from banks and other commercial sources. Monitoring and evaluation process should be taken seriously into account so as to have impact assessment results of MFPs. For sustainability of MFIs, participatory action and learning should be done to improve the chances for success especially when they participate from the very earliest stage of project conceptualization.

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