POVERTY AND THE IMPACT OF MICROCREDIT: A THEOLOGICAL REFLECTION ON FINANCIAL SUSTAINABILITY IN LUSAKA RURAL, ZAMBIA

by

Rev. JUSTIN PHIRI

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Supervisor: Prof. Karl T. August

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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and has not previously, in its entirety, or in part, been submitted at any university for a degree.

Signature: ________________________

Date: _____________________________2010

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ABSTRACT

This study tries to examine the impact of microcredit on the lives of poor people. There are different views on microcredit as a powerful development tool regarding its success in developing the lives of the poor and, sometimes, these views are contradictory. However, poverty is a global issue; it is a problem that even the wealthiest nation is experiencing. In this scenario, a country like Zambia is facing a great challenge to alleviate or reduce poverty, because poverty is the cause of many problems, such as suicides, illiteracy, unemployment and diseases like depression, stress, etc. In order to control these diseases, poverty must firstly be controlled. At government, church and also at international level, many strategies are implemented daily to control poverty. Therefore, the purpose of this study is to observe what role microcredit is playing in poverty alleviation in Zambia.

Zambia is a country that ranks below average on most social indicators within Central Africa. Its economic inequalities are enormous leaving indigenous Lusaka rural's population far behind. With this point of departure, this research aims to measure the impact of microcredit on indigenous poor people in a village situated in the poorest region of Zambia. Its purpose is to capture how the economic capacity has changed over time due to microcredits from a microfinance institution. In order to obtain a multi-dimensional picture of their situation, four additional related aspects are examined: the political capacity, social and human capital, and gender equality. In addition, a correlation analysis of the inter-relation between these aspects and the church is done. The results are two-sided and demonstrate no general correlation between time and economic capacity, nor among the four other aspects. The variables that increase with time are: the current construction of their houses, the quality of their clothes, and their political capacity. However, the reliability of the data is somewhat questionable. An analysis of these contributes to the ongoing discussion on how to perform impact studies on microfinance institutions, as well as how different aspects influence each other.

Key terms: Microcredit; Rural Credit Program; Household Incomes; Business Profits; Zambia.

OPSOMMING

Hierdie studie poog om die impak van mikrokrediet op die lewens van arm mense te ondersoek. Daar is verskeie menings oor mikrokrediet as ‘n magtige ontwikkelings-meganisme met betrekking tot die sukses daarvan in die ontwikkeling van armes se lewens, en hierdie menings is soms teenstrydig. Maar, armoede is ‘n globale verskynsel; dit is ‘n probleem wat selfs die rykste nasies ondervind. Hierdie senario, ‘n land soos Zambië, ondervind tans ‘n groot uitdaging om armoede te verlig of te verminder, want armoede veroorsaak baie probleme soos selfmoorde, ongeletterdheid, werkloosheid en siektes soos depressie, spanning, ens. Om hierdie siektes te beheer, moet armoede vir eers beheer word. Op regerings-, kerklike en ook internasionale vlak, word baie strategieë daagliks geïmplementeer om armoede te beheer. Daarom is die doel van hierdie studie om vas te stel watter rol mikrokrediet tans speel in armoede-verligting in Zambië.

Zambië is ‘n land wat laer as die gemiddelde beskou word op meeste van die sosiale aanwysers binne Sentraal-Afrika. Sy ekonomiese ongelykhede is ontsettend groot, wat die inheemse plattelandse Lusaka se bevolking ver agterlaat. Met hierdie vertrekpunt, beoog hierdie navorsing om die impak te meet van mikrokrediet op inheemse arm mense in ‘n dorpie wat in die armste streek van Zambië geleë is. Die doel is om vas te stel hoe die ekonomiese kapasiteit verander het met verloop van tyd, te danke aan mikrokrediete van ‘n mikrofinansiële inrigting. Om ‘n multi-dimensionele beeld van hul situasie te verkry, word vier addisionele verwante aspekte ondersoek: die politieke kapasiteit, sosiale asook menslike kapitaal, en geslagsgelykheid. Daarby is ‘n korrelasie-analise van die onderlinge verhouding tussen hierdie aspekte en die kerk gedoen. Die resultate is twee-sydig en toon geen algemene korrelasie tussen tyd en ekonomiese kapasiteit, of onder die vier ander aspekte nie. Die veranderlikes wat toeneem oor tyd is: die huidige konstruksie van hul huise, die kwaliteit van hul klere en hul politieke kapasiteit. Maar, die betroubaarheid van die data is in ‘n mate twyfelagtig. ‘n Analise hiervan dra by tot die deurlopende gesprek oor hoe om impakstudies op mikrofinansiële inrigtings te doen, en ook hoe verskillende aspekte mekaar beïnvloed.

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CHAPTER 1

1.0 INTRODUCTION

1.1 Statement of the problem

This assignment is titled: **Poverty and the impact of microcredit: A theological reflection on financial sustainability in Lusaka rural, Zambia.**

1.2 Background

This study is seeking guidelines that can help in empowering the poor people through microcredit to alleviate poverty in Lusaka rural of Zambia. It is an effort to reflect theologically on poverty and impact of microcredit in the context of community development against the background of unemployment and widespread poverty. The brief background that is offered here indicates that CETZAM is well positioned to play a significant role in reconstructing and reforming community development within contemporary societies in Zambia and worldwide.

Today in Zambia, eight million people, i.e. 60% of the Zambian population, live on less than $100 per month, 1,5 million children do not have access to primary education, and four million adults are illiterate, of whom 64% are women. These are examples of services that people in government have taken for granted. The figures might sound hopeless, but it is important to keep in mind that, today, there are more people than ever before living on more than a dollar per day, more people than ever before who get primary education.

The development trend for many of these aspects is still positive. However, there is an urgent demand for speeding up the pace of this development. Life in a world with such an immense inequality is not acceptable. One tool that has been recognized as effective in improving many aspects of the lives of poor is microcredit. It has become well-known and celebrated within the industry of development aid. It is said to contribute in a number of ways to the improvement of the situation of the poor. Morduch and Haley (2002:13-15) claim that microcredit show positive impacts on the first six out of the eight

UN Millennium Development Goals.[1] Microcredit, by many donor and development agencies, is said to improve lives in ways that reflect multidimensional aspects of poverty, such as access to education, improvement of shelter, increasing money-making activity (Anderson, 2002:30) and empowerment of poor people (Wright, 2001:11-13). There are others, such as Garson (1996) and McGregor (2000), who are more sceptical about the outspoken positive impacts, and raise concerns about the risks present within microfinance. What methods should be used to conduct impact studies is also a debated and discussed area. This case study will add to these ongoing discussions by investigating how one microfinance institution, Christian Enterprise Trust of Zambia (CETZAM), affects the lives of poor indigenous people who live in a town in the poorest region of Zambia. Zambia has been chosen as a country within Central Africa that ranks below average in most social indicators; 60% of the population live below a poverty line of less than one dollar per day. Of the indigenous population (comprising more than half of the population), 70% are poor (SIDA, 2004). The situation of women, in particular, is disadvantageous.

The indigenous people suffer from three-fold discrimination – by gender, poverty and ethnicity - making them an important group who need support. In addition, for 30 years, Zambia has suffered from severe poverty, and signed a peace document in 1996. In this environment, current financial services reach only approximately 5% of the population in Zambia (CGAP, 2001).

It is thus important that theology in Zambia strives to be part of the challenge to engage constructively the search for constructive approaches to poverty alleviation through microcredit. Through such an effort, theology can engage the task of community development. The hope is that a theological study will contribute to a better understanding of poverty and microcredit. This research also aims to develop a theological- informed microcredit enterprise that the church can employ to reduce poverty.

[1] See appendix 1.

However, theology is not only linked to community development but also to the transformation of the community through its initial reflection on the causes of poverty. (August 2010:17-18).

1.3 Research Objectives

The main purpose of the study is to provide theological information on the impact of microcredit and poverty alleviation programmes to compensate for the inadequacies of regular financial institution by providing small loans in non-traditional economic sector. Flexible repayment procedures and reasonable interest rates are features of the microcredit. A small amount of money can contribute significantly to poverty alleviation amongst poor people in remote areas in Zambia (August 2010:36-37).

Second theological reason result from sustainability that will give the poor people an opportunity to satisfy their basic needs in an appropriate way, to enjoy equal access to resources, to have a say in the community and economic development process as it affect them and to participate in political decision making. Providing service for the poor people with income or work opportunity, because of the credit risks and relatively high cost associated with small loans, that traditional banking system is generally not willing to implement is important to community development (August 2010: 92).

Third reason is to provide information on capital creation to foster community development and reduce the number of people in the church and worldwide living on less than US$1 per day by a reasonable percentage in years to come. Poverty alleviation and promotion of microcredit are the challenges facing the church and community at large.

Achievement of the said goals require attention to a variety of objective such as raising education levels, improving lifestyles and providing loans to small and micro sized enterprises. I therefore propose microcredit as a key strategy in poverty alleviation and it makes self employment possible and helps families emerge from the vicious cycles of poverty.

1.4 Research question

From the issues raised in the previous section the research for this study can be formulated in a variety of ways. The following are the main research questions of this study:

> *With time, does the microcredit institution, Christian Enterprise Trust of Zambia, succeed to increase the economic capacity among its borrowers (Christians) in Lusaka, rural Zambia? How can the church contribute theologically and meaningfully to the ongoing quest for community transformation and development in Zambia? What is the impact of microcredit on the poor people and their community? More concretely what light would theology of community development as expressed in August (2010:5-7), shed on relationship between community development and poverty alleviation?*

These questions will be addressed in the course of the researcher's investigation.

1.5 Hypothesis

The essence of this study is to provide the church in Zambia with a form of a theological investment more in keeping with the mission to bring good news to the poor and provide microcredit as a developmental tool in poor communities with a source of needed start-up capital through microcredit at reasonable terms. The study will investigate how lending to the poor at low interest can only be justified if it can be seen to "build up" that is to contribute to the total wellbeing of the community, wherein personal gain is outweighed by the good of the neighbour and all is done to the glory of God.

1.6 Research Design

The researcher conducted a literature study to execute his research project within the qualitative research paradigm and Mouton (2001:646) defines qualitative research as:

> "*The non-numerical examination and interpretation of observations for the purpose of discovering the underlying meanings and patterns of relationship"*

According to Mason (1998:4) qualitative research lends itself to a hermeneutic approach since it deals with interpretation of the functioning of the social world.

Louw (1998:5) states that qualitative research is more inductive and less deductive and includes hermeneutics through which texts are analyzed, as well as “the role of prejudices and previous horizons of understanding”.

1.6.1 Conceptualisation

The important constructs in this proposed study are: Poverty, Microcredit and Theological Reflection.

> *Poverty refers to, “lack of basic human need, such as clean water, nutrition, health care, education, clothing and shelter, because of the inability to afford them* (August 2010:2).
>
> *Microcredit is the extension of very small loans (microloans) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history therefore cannot meet even the most minimal qualification to gain access to traditional credit* (Duchrow 1995: 65)
>
> *Theological reflection defined by (*Sherlock 2009:638) *as a discipline of exploring our individual and corporate experience in conversation with the wisdom of a religious heritage. The conversation is a genuine dialog that seeks to hear from our own beliefs, actions and perspective, as well as from those of tradition. It respects the integrity of both.*

Theological reflection therefore, may confirm challenges, clarify and expand how we understand the religious tradition. The outcome is new truth and meaning for living.

1.7 Research Methodology

This research integrates a qualitative study and a minor field research approach. The minor field research with the clients of CETZAM will give answers to the first question while literature study will give answers to rest. The material that constitutes the qualitative research is taken from different sources of literature books like: August (2010); Marty, M (1990: 695-696); Walker, K (2008:27-42); Neufeld, E (2005:355-412) and many other books as well.

From June to September in 2010, this research will take place in Lusaka rural, Zambia, together with Zulu, a Ph.D. student of Community Development at the University of Stellenbosch. Through our combined multi-disciplinary backgrounds, we increased each other's understanding regarding different aspects of the study. Zulu will work with the concept of political capacity as his dependent variable, whereas the researcher will focus on economic capacity. We shall conduct all fieldwork together, but for the convenience of the reader, the researcher will henceforth refer to himself instead of to both of us.

In order to fulfil the purpose within the given time frame, the researcher must conduct an extensive quantitative interview study, from which he hopes to draw statistical conclusions. Furthermore, in order to combat language barriers, he has decided to let interpreters do the interviews consisting of pre-decided multiple-choice questions in a questionnaire. To find suitable questions related to the purpose, he has studied and reviewed related to the performance of impact studies and has also read the documentation of other impact studies similar to his own. Most of these questions have been used in various other studies to measure similar variables, while Zulu and the researcher construct some. In addition to this, the researcher hopes to attain inputs on the cultural setting, as well as on statistics from his in-field supervisor, Prof. K.T. August, University of Stellenbosch, South Africa. Furthermore, in order to adapt this study to the cultural settings, the questions will be reviewed and discussed with different loan managers at local and international microfinance institutions. Who will be approached to complete the questionnaires during home visits to new clients applying for loans? Since this data will be available, the same questions will be used as the basis for defining physical economic capacity, enabling a comparison of the change for each client over time. Altogether, this work will result in the appendix containing the questionnaire.

The researcher will undertake structured interviews with 55 indigenous poor people, all living in Lusaka rural, Zambia. They will be randomly selected from three groups with different lengths of time. The study has several limitations. Microfinance (MF) is usually defined as "the provision of credit, savings, and other financial services to lower-income groups" (Almeyda & Branch, 1999:10). This study focuses on only the microcredit part. It should, however, be noted that savings are fundamental and often the first most important step in reaching the poorest with financial services. It protects effectively against seasonal cash flows and acts as a function of insurance/security (Morduch &

Haley, 2002:26). Also limitations related to the choice of methods exist. Since the researcher will stay in the field only for a limited time, he will not be able to observe the change on an individual level over time. For all his variables (physical economic capital excluded) the researcher has chosen to observe impact changes between clients with different lengths of time in CETZAM. This will have several drawbacks; e.g. the measurement of income at only one occasion may include an amount of uncertainty since poor people's income usually fluctuates greatly.

Another drawback is related to the fact that, for a comparison of physical economic capacity, this study must rely on data that CETZAM collected, which may be insufficient in some cases. Most of the possible dilemmas expressed concern the measurement of the impact of microcredit. This will be considered, but some could not be corrected due to limited time. In particular, it will not be able to trace all the drop-outs, which might somewhat overestimate the positive outcome of the impact assessment.

Further limitations had to be implemented regarding the collection of data. The people to be interviewed had to be poor often with an immense workload. Therefore, from an ethical point of view, the researcher did not want to take too much of their time. For this reason, the questionnaire will contain only few short questions. Therefore, only a few questions on each variable will be included.

The questions will be put very simply in order to minimize the risk of misunderstand-ings. Despite all these precautions, the researcher knows that the language barrier will make it impossible to tell for certain whether the interpreters and, even to a lesser extent, the client, fully understood the questions. The researcher hopes that most of the people will ultimately express their gratitude towards the undertaking of this study. Furthermore, this impact study does not attempt to measure the level of poverty by any globally based yardstick. The researcher does not have the necessary information to do so. However, from this investigation, by observing the work of CETZAM, and from what has been gathered from the co-ordinator, the researcher knows that the people in Lusaka rural are poor, and therefore, his starting-point has been likewise. This study does not attempt to give a total picture of the impact that CETZAM has had on the interviewees. Due to this study's limited time and scope, several aspects of importance have been excluded; one of the most important being health, despite it being a prerequisite for improving an individual's situation. Lastly, the researcher wishes to add that he has neither the intention, nor capacity, to judge CETZAM's total poverty outreach, neither in Lusaka nor in other villages where they operate.

1.8 Ethics consideration

According to Sherlock (2009:631-649) defines ethics in accordance and alignment with one's own beliefs, values and worldview. As this research wishes to learn more about Zambian people and culture in order to better understand the micro lending intervention that have occurred over time, there are considerations that must be acknowledged and respected. Some ethical considerations and observations for this research included and not limited to the following:

Gaining consent from participants prior to interview or focus group.

Cultural awareness skills and knowledge (cultural norms practices). It is important to be acutely aware of what is accepted and not accepted in Zambia in terms of people interaction, religious observations.

Participants were told about the confidentiality of data collected and also that they were not obligated to answer every question if they do not feel comfortable answering.

The research's ethics and moral code was thought through before the project actually started. Knowing how to engage with both community members and other stakeholders is a process; ground rules were determined in advance with regard to what kinds of information could be readily shared verse what should be kept confidential. (Hindery 2008: 215-231).

1.9 Outline of the paper

Section one starts with the research questions, and section two presents the theoretical framework of microcredit and the concept of poverty. Section three presents the Zambian context and background of the subjects dealt with. Section four provides a biblical reflection on lending and borrowing. As a natural continuation after this, the context of the field study and further method will be developed. Thereafter, the variables are operationalized in order to suit the context in which the research has taken place. This part also states the researcher’s hypothesis, after which the correlation analysis and results follow. The last chapter of this research offers a discussion and conclusion.

CHAPTER TWO

2.0 THEORETICAL FRAMEWORK

2.1 Introduction

Poverty and inequality in Zambia is an evident daily truth of the majority of the country's citizen. Hence the basic understanding of this research is that poor people in need of which social-economic needs are included can find support and comfort in turning to the church. It is critical that all organisations and institutions that consider microcredit as a developmental tool to understand and appreciate the effects that poverty can have on poor people's lives. The theology of community development must understand the dynamics of empowerment of the poor people as well as the concept of collaboration.

This chapter first deals with the concept of poverty from community development perspectives and role of microcredit as a means of empowering poor people by developing their skills and abilities to enable them to make their own decisions in terms of their development needs and reality.

2.2 The concept of poverty

To harmonize policies for economic capacity, social equity and gender equity is a challenge that no longer can be ignored. This is why poverty is considered as the result of power relations that firstly affect poor people - indigenous people, older adults and the inhabitants of certain areas - in different ways. The multidimensional nature of this phenomenon is indicated, as well as the virtues and limitations of traditional forms of measuring poverty, while drawing attention to specific aspects that explain the disadvantages suffered by poor people: the invisibility of unpaid domestic labour, the length of time that poverty was associated with such labour; the labour and wage discrimination against poor people; the importance of studies of the family from a gender perspective; and the challenges for public policy (Blanchard, 2009:177-180).

In order to avoid discriminatory biases, it is suggested that efforts be made to develop poor people's economic autonomy and promote a reconciliation of private and domestic life by encouraging a mass influx of poor people into the sphere of microcredit care.

2.2.1 Definition of poverty in this study

In order for the word "poverty" not to lose its usefulness, and to avoid poverty being confused with other dimensions, this study will restrict it to mean economic capacity. Thus, poverty will include only dimensions that depend, in some way, on access to material resources. If this distinction were not made, poverty risks to become useless as a tool for policy. Many authors argue that, in order to fight poverty, there should be a common acceptable way to measure poverty (Garson, 1996; Lok-Dessallien, 2005; Boltvinik, 2005). However, this does not mean that other aspects are unimportant determinants of poverty. For this study, other aspects chosen - social and human capital, gender equality and political capacity – are important determinants of poverty. Thus, this case study concludes that if any of the intervening variables has increased, it is likely, in time, that the poverty levels will also be reduced.

This study aims to take an objective as well as a subjective perspective. Some questions, such as questions on physical economic capacity, have an objective character, while the psychological ones are of a subjective character.

In addition to the variables, a couple of questions have been added that, ultimately, were excluded from the formal analysis. These questions aimed to capture vulnerability, as referred to in the chapter on poverty and in the section on evidence of microcredit impacts, as being an important indicator of poverty and a likely effect of microcredit.

In order to measure this, a couple of questions were included, specifically aimed at capturing the vulnerability. These were put outside of any of the variables. Aspects, such as diversification of income sources and whether they received money from any relatives abroad, were included. Literature (IADB, 2003; Adams, 2004:231) suggests that it is very common in all of Central Africa to receive money/remittances from people or relatives abroad. Adams (2004:231) finds that remittances reduce the level, depth, and severity of poverty in Zambia. However, in this case, it did not seem to apply - none had received money from outside. This probably is less common in poor indigenous areas. Having more than one source of income thus decreases vulnerability, which is important, especially for poor households. And, as mentioned in the previous chapter, it is one of the main purposes of microcredit. In this survey, the clients' access to diversified income sources was zero. All these facts strongly suggest that the clients of CETZAM in Lusaka are vulnerable to risks and/or unexpected incidents. But, for the sake of convenience, in the analysis this will be excluded, since they tell us nothing about changes due to duration of membership. However, vulnerability is part of other questions in the variables.

The questions on vulnerability also worked to ensure that the identified changes did not occur through money received from elsewhere, other than CETZAM. In addition, a third question; "Have you taken a loan from any other MFI [microfinance institution] before?" was included. It revealed that 11 of the clients had previously taken a loan in another MFI. However, as this question did not contribute to this research's purpose, it was thus excluded.

Due to the purpose of this study, it will start with a discussion on concepts and indicators of poverty. The discussion on poverty is central to the field of development, thus to the field of microfinance. Furthermore, it will help to explain the character of the questions in the questionnaire, as well as what they aimed to capture. The *Concise Oxford Dictionary* defines the adjective "poor" as: "lacking adequate money or means to live comfortably." By referring to several languages, and authors, Boltvinik (2005:23) concludes that poverty is "a state of necessity in which freedom is absent," associated with a state of want, with deprivation that is related to the necessities of life. The concept of poverty contains a material and structurally determined part, as well as a nonmaterial or agent-determined part (Dyck, 2009:565-575).

In Practical Theology's curriculum for community development, August (1999:14) concludes that poverty possesses a great variation of concepts, thus it has a multidimensional nature and, consequently, it can be measured in various ways. The methods used to measure it depend on the concepts chosen to define it, which, in turn, determine what policies and program packages were chosen to defeat it. August (1999:14-15) distinguishes three pairs of perspectives:

1. *absolute-relative poverty*
2. *objective-subjective perspectives*
3. *physiological-social deprivations.*

Absolute poverty is defined as “subsistence below minimum, socially acceptable living conditions” (Lok-Dessallien, 2005:302). Normally, this is measured as nutritional requirements and essential goods. On the other hand, relative poverty estimates the difference between the upper and the lower segments of the population by measuring income quintiles and deciles. The absolute and relative poverty are partly independent of each other – improving one of them will not automatically improve the other – and, therefore, it is important to consider both aspects.

The second distinguished pair is between objective and subjective ways of measuring poverty. The objective perspective (sometimes called “the welfare approach”) involves normative judgements of what is needed for a poor person to move out of poverty. The subjective perspective, on the other hand, focuses on people’s preferences and their value of goods and services by using participatory poverty assessment methodologies. It helps to understand the perspectives of the poor, thus functioning as important background material in shaping policies and program measures. The disadvantage of this approach, compared to the objective, is that it does not allow aggregation of many different utilities across a population. The supporters and users of the objective perspective argue that this way to measure poverty is preferred since people themselves do not always know what is best for them. For instance, should it measure nutritional levels, it ensures that one nutritional level is the same for all, thus avoiding individual preferences of food. Both measures are, however, important contributors to the measurement and analysis of poverty. However, today, the objective school totally dominates the work on poverty.

Perceived causes of poverty can be either physiological or sociological. The former relates to lack of income, food, shelter and clothing. To reduce poverty, stemming from the physical approach, strategies such as increasing income or consumption, and their accomplishment of basic needs will be used. Lok-Dessallien (2005:306) states, “The sociological deprivation stems from underlying structural inequalities and inherent dis-advantages,” focuses mainly on power-relations and government issues, and also the inequalities related to a macro policy framework and distributional systems. It looks for structural impediments/constraints that hinder the poor from gaining positive outcomes from measures directed to them.

When measures are taken to reduce poverty, they can be either ends or means. “Means” refers to “indicators of inputs intended to achieve an end result” (Lok-Dessallien, 2005:306), usually belonging to the money-metric family. Income, as an example of means, ends the measure’s ultimate outcome, such as the nutritional status. A combination of both is usually the most efficient approach. Furthermore, Lok-Dessallien (2005:308) distinguishes between qualitative and quantitative ways to measure poverty. Quantitative data can be aggregated, while qualitative data normally cannot. Here, a note is necessary. The subjective and objective approaches can be a mix of qualitative and quantitative, even though the objective approach tends to use mainly quantitative data and the subjective approach mainly qualitative. There are different families of poverty indicators; income and human capability being two of these. This study will shortly discuss their advantages and disadvantages.

Income is the most common way to measure poverty. The dominating ways to measure it are the headcount index and per capita GDP. By calculating the cost of a minimum basket of essential goods for basic human survival, using income, consumption or expenditure data of non-poor households, a poverty level is determined. The advantages of this indicator are that one can easily aggregate multiple inputs, and that it weighs inputs according to the way the real world measures it. Its limitations relate to price and commodities differentials, as well as because it disregards non-cash and free items, such as public goods and services. A higher income does not necessarily mean that the basic essential needs will be required (Boltvinik, 2005:33). It represents only the capacity to consume. Income can fluctuate without it affecting the standard of living. Wright (2000:8) argues that an increase of income does not equal poverty reduction, stating: “If increased income is simply spent in the cinema or at the tea-stall or on alcohol, there is no increase in wealth and no reduction in poverty." Thus, poverty not only has to have an income below the poverty level; therefore, it is about the "inability to sustain a specific level of well-being" (Wright 2000:8).

The human capability indicator measures ends. It focuses on human abilities and opportunities to participate freely in society and live long healthy lives. Indicators, such as the literacy rate, malnutrition, and life expectance, are utilized. Participation is more complex to measure. Its main advantages are that it measures the real outcomes that are mostly easy to find. However, there is no way to aggregate them into one index.

Poor people live during circumstances illustrated within the different concepts and indicators discussed above. One element that is usually highlighted when the situation of the poor is discussed is vulnerability. They often have to endure hazards, such as drought, livestock diseases and unexpected sickness. Not too surprisingly, their marginal security is lower than that of richer persons. Many fundamental services do not reach the poor, such as primary health, education and financial services (Wright, 2000:9).

2.3 Poor people's access to credit

Amongst others, Robinson (2001:305) states that, among poor people, a strong demand for credit exists. Availability to credit is essential for capital investments to take place. In turn, capital investments are a key determining factor for economic growth and raising income (Hulme & Mosley, 1999:34-36). However, for several reasons the credit market tends to exclude the poor.

2.3.1 Sources of demand for credit

Ray (1998:199) presents several reasons why the poor might need credit:

a) to start a small business

b) to smooth out consumption expenditures in uncertain and/or fluctuating economic environments

c) to buy inputs to their income activity, or

d) to educate themselves or their children.

The money that is required to initiate a business or for a considerable development of existing activity, is called “the market for fixed capital.” Credit needed for an ongoing business, is usually needed to smooth the income between production and sale and is called “working capital.” The sector that is in the greatest need of all sorts of capital is agriculture, as it is characterized by seasonality, thus fluctuating incomes. The fixed capital is needed in order to start up an agricultural activity or make a large investment. Since, at the beginning of the season, the farmer often lacks sufficient funds to buy seed, pesticides and fertilizers; working capital is needed. Such a loan can be repaid after the harvest. For farmers, consumption capital is also needed to smooth income due to uncertainties connected to agriculture, such as changing weather conditions.

2.3.2 Why credit fails the poor

There are several explanations as to why the credit market fails the poor. One simple explanation is that market-led approaches tend to serve the most profitable markets first. Therefore, the more rural areas, where the most poor live, will not be served until the urban and suburban regions are served. Moreover, people who are already experienced in business, or people who demand larger loans, are prioritized. Since the poor seldom belong to any of these groups, they are excluded (Simanowitz, A, 2002:76).

Another explanation is related to the legal system. To a large extent, the government’s regulation on banks reduces capital that is available to small business. The main reason for this is that the stability of the banking system is prioritized over a more widespread outreach. The regulators often do not allow banks to lend to the poor. This is the main obstacle especially in developing countries where political interference in credit markets repeatedly results in money ending up in the hands of rich people (corruption). Despite the fact that the legal system is an important aspect and explanation as to why credit fails the poor, this will not be dealt with further in this study (Seligson, K 1999:34).

According to Hulme and Mosley (1996:22) most institutions regard poor people as too poor to save money and, in the event of them wanting to take a loan, they are regarded as very high risk borrowers. As the poor are unknown to the banks, they are high risk borrowers; they lack written book keeping and business plans and, in addition, they are too poor to provide collateral. Thus, the lack of information, together with the difficulty to enforce loan repayment, is a great obstacle for financial services to reach the poor. In other words, it is not economically profitable for lenders to service the poor with credit, since there is a large extra cost associated with lending small sums to unknown borrowers. The administrative cost is too high for finding information about whether the borrower is credit worthy or not.

According to Ray (1998:202), the issue of collateral is the main reason for finance failing the poor. Ray explains the two main reasons why collateral is required. First, it is insurance for the lender in case of default. Secondly, and most important, however, it is to prevent intentional default; asking for collateral reduces the risk of the borrower disappearing with the money. As in most cases, when the poor are unable to provide adequate collateral, the possibility of insurance arises. Insurers do not want to compensate for both the lender and the borrower's risk aversion. The reasons for this are multiple. Again, the poor are regarded as higher risk individuals. Therefore, the insurer's risk calculation usually results in such a high cost that the cost of borrowing plus an insurance premium becomes too high for the poor borrower. The scope of this research limits further discussion on the issue of insurance. Hulme and Mosley (1996:26) raise the issue of a so-called "break-even point," which is the same for any financial institution; the net income must, at least, be equal to the total expenditure.

Income from loan portfolio	+	Other income	≥	Cost of borrowing (principal & interest)	+	Other expenditure

Figure 1. The break-even point for any financial institution (Hulme & Mosley, 1999:26)

This is a point that any financial institution has to reach in order to be financially sustainable. In the case of the poor, the total expenditure connected to borrowing is high. Calculations from less developed countries' financial institutions show that even if the default rate were zero, the interest rate will be as high as 25%. And, in reality, the default rate of the poor and/or new entrepreneurs very seldom is zero. According to the World Bank's Sector Policy paper (World Bank, 1975), the average default rate for MFIs is 38%. By using this figure, the interest rate will be as much as 85%. However, most countries have regulations stating a maximum interest rate, which thus prevents financial institutions from charging high interest rates. But this regulation in itself negates the possibility for financial institutions to have the poor as clients. Important to note here, is that too high an interest rate will make it harder to repay, and thus possibly worsen the rate of default (Hulme & Mosley, 1999:29).

In summary, since the financial institutions need to move towards a break-even point (become financially sustainable/self-sufficient), the interest rate for serving the poor will be very high. Thus, it seems that a conflict between reaching the poor and being financially sustainable exists.

As seen here, the credit market is not perfect. Often, new financial services that aim to reach the poor fail to survive due to reasons, such as their inability to make accurate calculations of interest rates. However, a number of possible techniques can be implemented in order to reduce the risk of not surviving as a new financial institution in a developing country but, so far, formal banks have not used these to a great extent. The methods are usually divided into direct and indirect methods. In coming sections, these will be dealt with further.

2.3.3 Who provides credit for the poor?

There are different kinds of credit providers. Since, as stated in the earlier sections, institutional lenders, such as formal banks, often fall short of reaching the poor with capital, but there are some alternatives, one being informal money-lenders. The money-lenders/book-keepers/traders are usually individuals who poses some "extra" money that they lend to people in their community. They tend to accept collateral in more exotic forms, being interested in assets owned by the poor that the bank would not accept as collateral. These, for instance, can be commodities that the borrower produces. Adding to this, the money-lenders usually have much better information on the borrower regarding characteristics and activities than is possible for a bank to obtain. However, informal moneylenders tend to serve a fixed clientele, well-known to these lenders. According to Ray (1998:206), the greatest obstacle here, is that they are reluctant to lend to people outside of their circle. The moneylenders tend to lend to clients to whom they have lent repeatedly before, thus making it difficult for new clients to attain credit. In addition, their outreach is not significant to all the poor who could benefit from loans.

Bouman (1995:67) discusses so-called self-helping groups that use lending and saving as ways of improving their financial situation. They are found in most places around the world, but their names and methodologies vary greatly. They are independent of legal structures, thus are informal groups. With their own objectives, they aim at helping people to get access to a sum of money faster than with individual savings. Some call them "rotating saving" and "credit clubs." They are often formed by a homogenous group of people (income level, occupation, age, etc.) who know each other well. They are based on social collateral preventing anyone from dropping out and/or disappearing with the money. As the name suggests these groups of people deposit money (acting also like savings) and afterwards, it is equally distributed among the members, or given as a loan to a member, one at a time, thus rotating. Bouman (1995:72) mentions that these types of groups have recently created connections to formal banks. Banks have opened up accounts that are available to groups who save for a specific purpose. The methods presented above function under very precise circumstances and will not reach all the poor. According to many scholars, there is one semi-formal method that has greater potential than any of the methods mentioned so far; and that is microcredit.

2.4 Microcredit

Initially, it is necessary to explain the differences between microfinance and microcredit. Microfinance refers to the whole sector, defined as "the provision of credit, savings, and other financial services to lower-income groups" (Almeyda & Branch, 1998:1-4). Microfinance usually concerns one or other of the following characteristics:

- *Small loans that are given as working capital (a loan for consumption also exists, but is less common)*
- *Informal appraisal of borrowers and investments*
- *Substitutes for traditional collateral that often include either group collateral or compulsory savings*
- *The possibility to access repeated and larger loans that are based on the performance of repayment*

- Streamlined loan disbursement and monitoring

- Secure savings products (Ledgerwood, 1998:103).

Despite the fact that microfinance often addresses different kinds of education/training, this aspect is not generally included in the definition.

Microcredit refers only to:

- the part of microfinance that deals with small credits.

Referring to the chapter on poverty, in the researcher's view, microcredit is a policy tool stemming from the concept of sociological deprivation. He looks upon microcredit as a means to avoid problems that cooperation with governmental entities and agencies might include (mainly corruption, but also inefficiency). To a large extent, microcredit avoids dealing with the country's macro-policy framework and distributional system; instead, it works directly towards the poor.

2.4.1 Some history

According to Robinson (2005:11), microfinance has its roots far back in history. During, what she refers to as "the millennia of microfinance," moneylenders, religious institutions, villages and kin-based organisations, etc. were active far back in time; in China, pawn-broking 3000 years ago is one example. Later in 1720, Jonathan Swift's Irish loan funds for the poor started and, by the year 1840, reached 20% of the Irish households. Furthermore, Robinson (2005:16) highlights Indonesia's commercial rural credit organisations that Dutch colonial authorities started in the 1890s.

Hulme and Mosley (1996:127) refer to so-called "development finance institutions" that started during the 1930s. Financed by national governments and agencies, their aim was to bridge the gap between the poor and financial services. They aimed at the agricultural sector, the rural poor or small enterprise development trusts. With their high debts, many were unsuccessful. On the other hand, Microfinance Gateway states that microcredit is a rather new phenomenon. During the 1970s, development aid changed from being characterised by a "top-down" charity mode to become more focused on the donor receivers as partners in the process. In this climate, the idea developed of giving the poor small loans.

2.4.2 Microcredit - by whom, for whom and for what reason?

MFIs can be nongovernmental organisations (NGOs), credit unions, saving and loan cooperatives, government banks, or non-banking financial institutions. Particular to clients of MFI are that they live in either in rural or urban areas and are self-employed, low-income entrepreneurs. Often, they engage in activities such as trading, small farming, street vending, seamstresses and small producers. Most MFIs lend money only to people with some kind of moneymaking micro-enterprise. The idea is that the money lent should be invested in the enterprise, resulting in an increase in earnings (Ledgerwood, 1998:205).

To increase earning and thereby increase the income of the poor is thus the main goal of microcredit (Microfinance Gateway, 2004:3). The microfinance business has been regarded as one of development aid's success stories. The main reason is that the impact is not only economic, but also socio-political or cultural, and personal or psychological (Ledgerwood, 1998:211). For instance, MFIs are known to empower people.

The range of opportunities for microcredit is huge; approximately 75% of potential clients are not reached. Furthermore, banks service only about 2% of the global small entrepreneurs (Microfinance Gateway, 2004:6). At the end of 2001, more than 54 million families in all parts of the world were reached by microcredit. Microcredit Summit Campaign show that of these, 26.8 million were among the poorest, thus living on less than a dollar a day (Mwanza, 2009). Two of the first, biggest and most well-known MFIs are the Grameen Bank in Bangladesh and Action International in South America (Microfinance Gateway, 2004:6).

Over the years, female borrowers have become the major target of MFIs (Microfinance Gateway, 2004:12). Many MFIs grant loans only to female borrowers. In a development process, the role of women is a subject of concern for scholars all around the world. According to an increasing amount of research and studies completed by, amongst others, UNDP, UNIFEM and the World Bank, gender equality exceeds economic growth and development. As an example, the World Bank states: “Gender inequality undermines the effectiveness of development policies in fundamental ways” (World Bank, 2001), stressing the importance of taking gender into account in a development process. Among people, gender inequality results in slower economic growth, increased poverty, worse governance, and decreased living standards.

Furthermore, experience has shown that very poor women have a better credit discipline than men, thus their repayment rate is higher. According to the Microfinance Summit (2004), this is probably partly due to their tendency to invest money in less risky projects than men. Furthermore, in most societies, women control the family budget, and tend to save money more regularly and invest the increased income in the whole family’s welfare.

Accordingly, Wright (2001:234) states that Western feminist commentators have accused the microfinance industry of contributing to a weakening of the women’s situation. According to the critics; many of the female borrowers, in fact, give their loans to their husbands. Defenders state that microfinance strengthens the role, and importance of the woman in the house by reinforcing and enhancing her role as the family’s head of budgeting, thus giving her a higher status.

2.4.3 Criticism against microcredit

The question whether MFIs in general have a positive or negative impact is debated somewhat. Many development agencies and networks working with MFIs tend to be supporters, while others, such as Marr (2003:9), are rather sceptical. This study will present a short overview of these different arguments. In the following sections, the impacts of MFIs will be investigated further.

Amongst others, Marr (2003:9) argues that, by its pursuit of financial sustainability, microfinance destroys the very foundations of these schemes by disrupting the social fabric of communities, creating more poverty, and excluding the poorest and most vulnerable from any given group. The idea is based on the fact that, sometimes, richer clients exclude the very poor from joining MFIs, because they distrust the capability of the poorer to repay their debts.

Furthermore, Marr (2003:11) declares that the fast growing microcredit industry is one reason why very little or nothing is done to eliminate the real reasons behind poverty, such as power and wealth. There is a risk that this solution to poverty is used all over the world, without considering different demands in various places. Another oft-forgotten risk is that a woman is placed in a situation of dependency where she must pay back the money, although the money often is used for things that benefit the whole family, but the man in the household often decides where the money is to be spent.

Another point of view is that microcredit will not reach the poorest of the poor, who usually lack the capacity or possibility of having an income generating activity. (Garson 1996:30). This study will return to this discussion in the section on evidence of the impact of microcredit.

Another critique or risk with microcredit is that it might be given to those not requiring it. Microcredit should be supplied only to meet existing needs, not before a demand arises. Therefore, microcredit should not be given to people who do not ask for it. Then, the risk of falling into a debt trap is high and debt obviously is not a good way to help the poor.

2.4.4 Methods to secure repayments

Microfinance applies various methods to secure repayments. According to Garson (1996:30), the methods commonly used by microfinance are:

- *Frequent repayment*
- *Progressive borrowing*
- *Group lending*
- *Social collateral (also called peer monitoring)*
- *Gender targeting.*

These methods can be used together or separately. According to A. Garson (1996:32), frequent repayment increases incentives to repay. This is quite simple, but might require high administrative costs. The Zambia National Building Society Bank, amongst others, practises this intensive loan collection. It reduces the borrowers’ transaction costs and increases the pressure to repay. The MFI cancels part of the interest rate from those who repay on time. They can also require that the clients pay a certain savings amount each month. This sum of money functions as an insurance against unexpected events that might cause failure of repayment.

“Progressive borrowing” implies that the lending institution progressively increases the amount of the loan as the borrower demonstrates a good repayment rate. It works as an effective incentive to repay the loan. It functions well when the borrowers are not too mobile, such as in rural areas. In urban areas, where mobility is likely to be higher, a loan without collateral might be misused, hence not repaid. There is, especially, a great risk that the last loan will not be repaid, since there are no more incentives.

“Group lending,” in short, usually means that a group of four to five people share one loan. If one fails to repay, and if they want to be able to take more loans, the others must take responsibility for repaying the lacking money. Thus, this method makes use of so-called “social collateral,” which can be regarded as an indirect reduction of risk, since it means delegating part of the responsibility of repayment on the borrowers themselves. The reasons for doing this are: (1) that it will reduce the administrative cost for the borrower, and (2) that the probability of default is decreased by the resultant peer pressure to repay loans that are placed on one another in the group. These group schemes are common all around the world (Morduch, K 1999:83).

However, group lending poses two obvious problems. The first relates to the fact that the lender wants to minimise the administrative costs, and thus is tempted to increase the group size. This includes the risk of a worse repayment rate, while the peer pressure decreases with the size of the borrowing group. Proved by several studies, it is most efficient when the groups are kept rather small (4-5) like-minded people. The second possible problem is that an in-group member, who is tempted to default, might ask a group member to repay his/her share, pledging for misfortune. When individual lending is compared with group lending and adding the social penalty imposed on defaulting, group lending seems to be the most effective for poor borrowers. In order to avoid the second problem above (that a borrower attempts to default, while allowing a richer group member to pay his/her contribution), the groups should comprise “equally poor" borrowers as far as possible. Gender targeting is related to aspects already mentioned. Women often prove to be more reliable borrowers and, in addition, they are usually less mobile (i.e., to move from their home town), which decreases the risk of disappearance with the money.

2.4.5 How to measure the impact of microcredit

2.4.5.1 Background – why conduct impact studies?

"Microfinance programs and institutions are increasingly important in development strategies but knowledge about their impacts is partial and contested" (Hulme, 1999). In order for participants in MFIs to determine what difference they make to their clients, and in what ways they can improve their activities, impact analyses (IAs) are conducted, without which it is difficult to legitimate an MFI as a poverty reduction tool. However, to carry out an impact study is complex and often involves great expense.

2*.4.5.2 What kind and on what level?*

Impact assessment focuses on different kinds of impact. Similar to the measurement of poverty, the economic indicator - income - has dominated, despite the complexities of measuring changes in income. Other economic indicators, such as patterns of expenditure, consumption and assets, are also quite common. According to Hulme (1999:87), assets are a particularly useful indicator, since the level of assets does not fluctuate as much as many other economic measures. Other measures that became popular in the early 1980s are social indicators, such as access to health service, educational status, use of contraceptives and nutritional measures. Later, these were combined with indicators of a more socio-political character, such as the clients' empowerment. This, in turn, led to an increase in measures of individual control over resources, involvement and decision-making in the household, and involvement in community issues, social networks and electoral participation. These were all connected to investigations of gender relations (1999:89). Moreover, an IA focuses on altered levels, such as individuals, enterprise, households, community, institutional impacts and the household economic portfolio (1999:89). Since the focus of this research is on impact on an individual level, a thorough discussion on other levels will not be held.

Usually, the goal of the MFI determines the focus of an IA. If the goal is to increase female empowerment, the impact assessment will focus thereupon. The narrower the goals of the intervention, the less complicated the impact study becomes. Often factors, such as the client's time, cost and inconvenience, decide what the impact will be.

2.4.5.3 How to conduct an impact study

Ledgerwood (1998:43) investigates the different methodologies of impact assessment for microfinance. August (2010:3) distinguishes three different ways to conduct an impact assessment: the scientific method, the humanities tradition and the participatory learning and action method (PLA). There are obvious similarities among these, as well as the methods used to measure poverty.

The scientific method has two common approaches. The first makes use of multiple regressions. This is quite rare, as it requires enormous demands of data on other possible factors that cause a change. The second makes use of a control group (Hulme 1999). The identified change could have happened irrespective of the impact of the MFI. The control group should be a group of people with similar characteristics as the participants regarding various factors, such as gender, geographic location and income. If there are changes in this group, they are regarded as changes that would have occurred among the clients irrespective of the MFI activity. To find a control group with similar characteristics is often difficult and time consuming. One way to avoid this issue is to use a cross-sectional design to identify causal inferences. As an example, the current differences between first-, second- and third-year clients can be viewed as results of the MFI activity. Similarly, Hulme (1999:90) believes that a group of "clients-to-be" who have not received loans could act as a control group.

A common problem that occurs in the use of the scientific method is the assumption of a one-way causality. It is often expected that the intervention leads to an impact, which might be accurate in the case of laboratory experiments when cause and effect can be separated, but for human activity it is far more complex. To overcome this, the use of the least squares technique and regression analysis can be used. Another efficient way to cope with this is to trace the dropouts from both the treated and the control group, or to gather qualitative information about the complexity of causality by having in-depth interviews with clients.

The second method, the humanitarian tradition, does not aim to prove impact with statistics. With its roots in humanities, this qualitative approach has its main features within the inductive approach, focusing on key informants and keeping records of notes or images. This method contains a broad variety of approaches, such as sample surveys, rapid appraisal, participant observation and case studies. In order to seek validity, it is increasingly common to combine the humanitarian tradition with the scientific method.

The last method, participatory learning and action (PLA), is being used to an increasing extent. Overall, just as in the case of poverty measurement, participatory methods are becoming increasingly common as methods not only of IA, but also as ways to conduct the continuous work within MFIs. Within PLA, many different methods are used, contributing to the reliability of its results varying greatly. Most of them, however, aim to allow the clients themselves to identify indicators monitor and evaluate changes. By working in this way, the process itself contributes to empowerment. This method brings about much criticism of the scientific method for, amongst other things, ignoring complexity and diversity. Furthermore, it is accused of not admitting that there are multiple realities to be understood, and that it reinforces the empowerment of the policy-makers and elite, thus rejecting the development goals. Hulme (1999:10) summarizes some common assessment methods in the following table.

Table.1. Common assessment methods, reconstructed from Hulme (1999:10)

Method	**Key Factors**
Sample surveys	Collect quantifiable data through questionnaires. Usually a random sample and a matched control group are used to measure predetermined indicators before and after intervention.
Rapid appraisal	A range of tools and techniques developed originally as rapid rural appraisal (RRA). It involves the use of a focus group, semi-structured interview with key informants, case studies,

	participant observation and secondary sources.
Participant observation	Extended residence in a program community by field researchers who use qualitative techniques and mini-scale sample surveys.
Case studies	Detailed studies of a specific unit (a group, locality, organisation) that involves open-ended questioning and the preparation of “histories.”
Participatory learning and action	The preparation by the intended beneficiaries of a program of timelines, impact flow chart, village and resource maps, well-being and wealth ranking, seasonal diagrams, problem-making and institutional assessment through group processes, assisted by a facilitator.

According to Ledgerwood (1998:321) and Hulme (1999:10), amongst others, the most efficient way to accomplish an impact study is to combine a quantitative with a qualitative investigation. Using Hulme’s (1999:10) terms, a combination of the scientific, humanities and participatory methods is the most efficient way to determine the outcome of an MFI.

2.4.5.4 Dilemmas in making impact studies

Regardless of the method used, there are several dilemmas connected to conducting a trustworthy IA. One being the issue of temporary and hypothetical impacts that, exist and would have occurred even in their absence. They are further explored below. Adding to this, “the dilemma of the human subject as a dynamic target as presented” in (Ledgerwood, 1998:50). Ledgerwood refers to the inherent complexity of a human being concerning culture, society and the person her-/himself. And, further complicating the matter, these three generally change at different speeds. These aspects can erode the positive outcomes of an impact. For example, inequalities within a community might give the less well-off clients negative opinions of an MFI, despite their relative change being positive. Thus, if the MFI only had investigated the aggregate outcome, these effects would have been lost.

Another problem in measuring an MFI's impact is the transparency of the clients' answers, thus their honesty. Aspects that might affect the truthfulness of the clients' answers are embarrassment, not wishing others in the community to know, wanting to impress or please the interviewer, being wary of taxation and, lastly, that clients might simply not understand the questions (Ledgerwood, 1998:51).

"The vested interest of the assessment team" (Ledgerwood, 1998:51) simply suggests that the required outcome of the impact study unconsciously is evident in the way questions are put and in the way the sample selection is done. This is a risk especially in the case when the investigator is being paid by the MFI to do the study.

The dilemma of knowing whether the measured impact is related to the MFI is also relevant. In order to know for certain that the effect observed actually relates to the MFI and not to any other incident, the investigator needs to know about all other sources of income as well as their uses.

The issue of temporary impacts is also relevant. As mentioned, fluctuations, and thus vulnerability, lie in the nature of the definition of poverty. Hence, as an example, a small increase in income might quickly be wiped out. All the aspects related to dilemmas of observing effects of an MFI should be carefully considered when doing impact studies.

As mentioned, getting into the field of quantitative impact studies demands a great amount of effort. Firstly, several scholars, referred to in this research paper, stress the need for a control group against which the impact of the MFI can be measured. This is a complex task, since it is almost impossible to find a group of people with the exact same characteristics as regards income, business, educational level, etc., as the group of clients against whom they are tested. Hulme (1999:14) adds an important issue of impact assessment, i.e. the issue of overestimating the positive impact by the failure of pursuing dropouts.

2.4.6 Evidence of the impact of microcredit

As mentioned, there is a debate on the impact of MFIs. During the last 10 to 15 years the microfinance industry has been carefully studied, resulting in a huge amount of literature on the subject. According to Morduch and Haley (2002:41-46), most MFIs tend to care more about their own financial subsistence than on how well they reach the poor and how well they succeed in poverty reduction. Despite the fact that there are several independent studies made on MFIs, it is difficult to get a full picture of its effects, which is illustrated and introduced earlier in the chapter as “Supporters and sceptics of microcredit.” There are very few studies that compare the impacts of microfinance with other possible alternative interventions. Therefore, it is often difficult to distinguish certain aid from the effects, making it difficult to say with what microfinance actually succeeds, that other work would not have managed to do. However, Morduch and Haley (2002:23-25) conclude that microfinance does have an instantaneous impact on a broad range of poverty reductions, such as income, health, nutrition and education. The authors have analysed the effects of microfinance on poverty reduction, summarising and referring to several larger studies. They state that the global average repayment rate of MFIs is estimated to be over 96%. This, in itself, can be regarded as proof of its effectiveness. Moreover, microfinance is often said to create a favourable environment for entrepreneurship for people with a low income. In addition, it is also likely to build civil societies by strengthening the NGO sector by involving the clients in community and economic activities. Thereto, the increase in income helps improvement of education, health, family planning, nutrition, water, sanitation and shelter. Microfinance is also often mentioned to have positive social as well as vulnerability impacts. Giving small loans also increases work opportunities, according to Simanowitz (2002:341).

Wright (2001:23) refers to data from the Grameen Bank that states that the bank members’ income was about 43% higher than the target group in the control village, and approximately 28% higher than the target group in the same village. Furthermore, he cites data from the World Bank stating that the Grameen Bank both reduced poverty and improved the welfare of its participating households; adding to this, it also increased their capacity to sustain their gains over time.

Referring to Hulme and Mosley (1996:1-4), microfinance is “proven to be an effective and powerful tool for poverty reduction.” Similar to other development assistance work, it does not fully manage to reach the poorest. Some of the reasons for this have been mentioned earlier. Hulme and Mosley (1998:6) further develop this explanation by stating that there is a trade-off between being financially sustainable (i.e. having a high rate of repayments) and reaching the poorest. The impact on a client is usually greater when the income is somewhat higher. It is probably not surprising that people with a higher income have a greater scope of investment possibilities. Hulme and Mosley (1998:9) argue that "they can obviously take greater risks without jeopardising their subsistence." As advice and conclusion, they emphasize the importance of having the poorest as the outspoken target. On the other hand, Robinson (2005:2) believes that the fact that MFIs do not reach the poorest should not be regarded as a problem. The poorest should instead be reached by subsidized poverty alleviation programs. Microfinance should focus only on the economically active poor, defined as "people who have some form of employment and are not severely food deficient or destitute" and who "can repay a small loan at an interest rate that enables the lending institution to be financially self-sustainable" (Robinson, 2005:1-3). Today, most MFIs are not financially sustainable, which Robinson regards as a great obstacle for their long-term survival. MFIs need to be sustainable, but will not be unless they are financially self-sufficient (FSS). When the level of FSS is reached, they can start to increase the outreach, which is urgently needed. Today, the majority of MFIs are not FSS.

Whether or not MFIs should, or should not, reach the poorest, they show positive impacts on their clients' income smoothing and level of income. Furthermore, small loans help to decrease vulnerability. Hulme and Mosley (1998:3) state: "While micro finance may not alleviate extreme poverty in terms of income measures, it may still provide important benefits such as consumption-smoothing and income diversification which 'protect' the existing statuses of households by providing a safety net that contributes to crisis-coping capabilities." Similarly, Robinson (2001:6) states that microfinance helps "low income people improve household and enterprise management, increase productivity, smooth income flows and consumption cost, enlarge and diversify their micro-business and increase their incomes." There are not as many studies on health, nutritional status and primary schooling attendance, but the existing data is unimpaired and incontestable.

According to Adams (2004:234), microfinance has also made societies more aware of female problems, but general evidence of positive effects is less clear. One of the most influential studies on the subject by Garson (1996:108), made in Bangladesh, shows that the women were not empowered. He concludes that to give women only small loans is not economic empowerment. These results, however, have been criticized as focusing too much on control over the loan, which cannot be considered as an empowerment factor. The impact of microfinance on political capacity or participation is rather weak. The connection can, however, be drawn to evidence of correlation between engagement in civic organisations and political participation (Meeks 1973:4-7).

2.5 The dependent variable

As mentioned, the dependent variable of this research is economic capacity. Thus, economic capacity's impact is the main focus of this investigation. "Economic capacity" refers to physiological deprivations of poverty that contains both objective and subjective perspectives. It has been divided into a physical part and a part that aims to explain psychological economic capacity, where the physical part is an objective perspective, and the psychological part aims to be more of a subjective character; allowing the clients themselves to judge their situation regarding some physiological deprivations. All of the physical economic capacity could be measured in economic terms (financial). Due to lack of information on costs, however, the level of improvement stems from grading the various assets. The data on physical economic capacity is quantitative; while the psychological part is of a more qualitative character. However, in the analysis, all data will be regarded as quantitative in order to measure the change and to do the correlation analyses.

2.5.1 Economic capacity (EC)

Due to this research's limited scope, the definition of "economic capacity" used in this study refers to a somewhat narrower concept than that presented below. Here, "capacity" refers to the stored value that can be drawn upon in times of need that the income, access to land, house construction and its assets possess. As mentioned earlier, poor people are, by definition, vulnerable. According to Walter (2009:49), once a shock or some kind of stress occurs, poor people use various ways to cope with it. They might possibly modify consumption or sell assets. Thus, this capacity is what this research aims to capture. Hence, it can be regarded as the economic capacity to manage risks. To this, the researcher adds the psychological/emotional/feeling-based aspect of the economic capacity in order to capture the capacity based in people's minds.

2.5.1.1 Definition of physical economic capacity

From inspiration and input from literature, the following definition was developed. They were found to be common questions asked in impact assessments. Before clients were able to join, CETZAM asked them very similar questions. For a comparison, this research used the same questions. According to the manager of CETZAM, these questions correctly capture the communities' own definition and perception of poverty (Walters, 2009:49). This study's index of economic capacity is:

A+H+L+E= Physical economic capacity:
A= Assets of the house
H= House construction
L= Access to land
E= Earning

A: Assets include kitchen, latrine, drinkable water, light, radio, television, stove, fridge, small and big animals. The more of these they have, the higher their value of assets.

H: House construction includes the construction material of their current house.

L: Access to land is regarded as an asset of extra importance since it can mean the difference between having and not having food, thus between life and death, in an extreme case. Furthermore it makes the family less vulnerable against disasters since it can mean food security. In many poor areas it is also one of assets that have the highest status.

E: Earning is the earning per week that the client has divulged during the interview. The researcher argues that it is easier for the clients to know the income of the past week. CETZAM asked for the monthly income when they conducted their study. Thus, to enable comparison this sum had to be divided by four. The result of each of the components will be presented. The value of the physical economic capacity will also be calculated as one numeric value. In sum:

Physical economic capacity
Income of the client
Assets: the things in the house and ownership of animals (big and small)
Access to land
Construction of the house

2.5.1.2 Definition of psychological economic capacity

The researcher firmly believes that, rather than the actual monetary figures, this "softer"/feeling-related figure is very important to capture, since this is how the clients perceive their situation and is of great importance to themselves. It will be measured by asking the clients the following questions:

1. Whether they can imagine lending a friend money if she/he needs it

2. How they perceive the clothes and food that they buy today, compared to the clothes they could buy before joining.

If a client says she cannot lend money to a friend in need, this is interpreted as vulnerability indeed. The clothes as well as the food are important measures of the economic situation. By allowing clients to decide whether their situation has improved or deteriorated since joining CETZAM, is a subjective perspective on poverty.

2.5.1.3 Hypothesis of microcredit and economic capacity

As stated in the section, "Evidence of impact of MC," there is evidence and empirical proof that microfinance in general has a positive impact on poverty reduction (Simanowitz, 2002:32). The mechanism behind a positive impact of microcredit on the clients' economic capacity has been explained in earlier sections. By using the credit to modify the micro-enterprise, income is expected to increase, thus improving their economic situation. To improve the outcome, MFIs usually explicitly demand that the credit is used for investments in the clients' small enterprises.

In accordance with this theoretical reasoning, the researcher expected that the clients' physical and psychological economic capacity would increase during their time in CETZAM. It is also reasonable to believe that the physical and the psychological economic capacities correlate. However, it is also possible that the psychological EC is high simultaneously when the physical EC is low, since only the fact that a poor person has access to a loan, makes her/his perception/feeling of the EC improve. As stated earlier, the idea behind microcredit is that it increases the micro-enterprise income. According to Hulme (1999) an income change leads to an increase of household income, thus effecting household economic security. In turn, this affects the members of the household and its possibilities, such as education, health service and overall economic opportunities. These changes are likely to influence social and political aspects. This chain of impacts illustrates quite well the purpose of investigating the multiple aspects of poor people's situation, as chosen by this research. This term usually refers to activities that promote *community businesses*, *community enterprises* or *community ventures* that the residents of a particular (usually disadvantaged) locality in rural Zambia will own and operate. The promotion may include any of the specialized activities of business development, as already described. This is a particular subset of development activities that seeks to promote new or enhanced very small businesses. The activities are usually limited to offering credit, technical assistance, and training and are intended to increase local individuals' ownership of businesses and, perhaps, also that of families, but almost always lower-income people.

Although the ownership is expected to involve local residents, it may be in many different formats: non-profit ownership by a locally-controlled social agency or development group; private for-profit ownership by local entrepreneurs; a combination of both; or ownership through a co-operative. The prime beneficiaries are also expected to be residents of the specific local community, who will experience a range of many different benefits. The benefits might include a potential increase in local employment opportunities, greater local access to goods and services, or revenues to support a social agency, and the work of a local church. The benefits are usually the owners' self-employment and also greater skills and self-empowerment. But, to a very limited extent, additional jobs may be created together with an increase in the local availability of goods and services. The beneficiaries are almost always of low-income, especially the unemployed or welfare recipients or relatively unskilled new immigrants.

This is a program specifically geared to increase the economic opportunities for poor people in Lusaka rural, Zambia. It may include any of the specialized activities already described for business development, but may also include other kinds of supportive services, such as consciousness-raising workshops as a preliminary to business development work. Technically, to be considered as more than a poor-people-oriented business development, such a program must be concerned with other activities addressed to non-business goals, such as increased political visibility. Ownership of any created businesses is expected to reside in individual poor people, but it may be lodged in their non-profit organizations or co-operatives.

The benefits include business ownership, employment (including self-employment), and, generally speaking, poor people's empowerment. The intended beneficiaries are, of course, primarily poor people, but may extend beyond them to the community at large.

As mentioned, the first step of change is economic income. The term "economic capacity" (EC), is commonly referred to as a broad description of the capacity to increase a family's resources, which is of outmost importance for food security, nutrition and health (MkNelly & McCord, 2002:107), and includes the following:

> *Sales and profit in the business,* assets – *financial, physical and human expenditures. Diversified income sources (for risk reduction), stability in working capital, inputs and earnings and entrepreneurial skills and experience*.

Furthermore, Hulme and Mosley (1999:105-106) believe that:

> *"…the many forms of deprivation that very poor people identify themselves as experiencing that are not captured by income-poverty measures. These include vulnerability to a sudden dramatic decrease in consumption levels.…"*

With this point of departure, a second part of EC dealing with psychological aspects is included. In the literature, any equivalent to the researcher's chosen variables have not been found. His variables aim to take a subjective perspective, thus being based on the clients' preferences and will be further operationalized in later sections.

2.6 The intervening variables

2.6.1 Political capacity

The most commonly used term for political issues is "political participation," referring to "those activities by private citizens that aim at influencing the government" (Meeks, 1973:5). Since the level of actual political participation, such as voting in elections, is close to zero among indigenous women in Zambia, the term was renamed, "political capacity," in an attempt to capture some skills and patterns in behaviour that could be linked to a future political participation.

Political capacity was selected as an important measure of impact, since Zambia is a country with practically no real broad possibility for political participation, as it is a new emerging democracy with all the concomitant obstacles.

Political capacity is the variable defined and calculated by Dixon (2007:27). When nothing else is stated, this part will refer to conclusions in his paper wrap-up, "Loan officers and loan delinquency in micro finance". His point of departure: to most poor indigenous women of Zambia, political participation seems irrelevant. Usually, poor people have neither the money nor the time to be politically active. Therefore, they might lack awareness of national government policies. This phenomenon is illustrated by how a woman exclaimed in conversation during the qualitative interview that Dixon conducted: "Why would I vote, the parties only consist of stupid rich guys anyway!"

Adding to this, the fact of fear is highly relevant in the Zambian case. This became obvious in a discussion with a client about problems to get running water. When the question of getting water cooperatively with neighbours was raised, the client expressed that both her husband and mother had told her to stay out of any talk that was not in the family. If not, she would "get problems with the politicians!" Apparently there was an experienced risk of the neighbours reporting her complaints to the politicians, which would make her taking the risk ending up in a hazardous situation.

An aspect that must be added is education, which is another important and major obstacle to political participation and capacity. Since only 31% of the women are literate, it is difficult to find any information on political activities from written sources, thus making it easy for false rumours to circulate.

With this background, political capacity is defined as “an expectation of future political participation” and “the requisite skills to identify the interest of the community and engage in collective decision making.” (Garson 1996:95)

Meeks (1973:7) identifies and operationalizes two components of political capacity; i.e. psychological engagement and civic skills. These two components are composed of two indicators respectively: awareness, understanding and level of interest; and knowledge of the political system and previous political experience.

The questions that represent “awareness and understanding” are: “Can you think of any problem in your village, which you think you could solve together as a group in your village? If so, could you tell me?” and “Do you think that the government protects the most important rights of the indigenous people of Zambia?”

The questions that represent “the level of interest” are: “Have you discussed/can you imagine discussing such communal problems with somebody you know (e.g. clients of CETZAM, relatives or close family)?”; “Have you participated/can you imagine participating in any communal activity where people work together for the benefit of the village? “and “Have you voted/can you imagine voting in a national election?”

Civic skills are checked by observing the “previous political experience” that, in turn, is represented by the questions: “Have you participated in any communal activity where people work together for the benefit of the village?”; “Have you asked for help or co-operation from some group or community leader in your village?“ and “Have you voted in a national election before?”

“Knowledge of the political system” is represented by: “Do you know if it is necessary, according to the law, to be able to read and write in order to be allowed to vote in October?”[2] By using statistics, a statistical method called the Alpha, Dixon (2007:28) proves that the indexes for political capacity are related to each other. He confirms that the different factors in the indexes match each other well. The index is the base for an additive scale that gives each respondent a low, medium or high level of political capacity.

2.6.1.1 Hypothesis of microcredit, political capacity

Today, within political science, huge interest exists in the connection between civic engagement and political participation. Verba (1995:1) defines the latter as being ”in the heart of democracy.” Others are more sceptical, stating that it depends on the kind of civic engagement. Not too surprisingly, Seligson (1999:338) finds that engagement in community development groups is more effective than others in spurring demand-making and problem-solving. Even non-political organisations are shown to increase political participation. Verba (1995:338) provides empirical evidence of strong support for a connection between civic skills incubated by organisations and political participation in the larger community. This is applied as support of the hypothesis.

Income is often used as a predictor of political participation (Huntington & Nelson, 1976:13). As Verba (1995:338) states, people of poor countries are probably more limited by their socio-economic status rather than by “check book participation.” According to this reasoning, political capacity and economic capacity are expected to correlate.

2.6.2 Gender equality

The term “gender equality” can include a number of components. It often refers to equal rights and equal possibilities between men and women. As the situation appears today in many poor (and rich) countries, equal rights for both women and men are far from adequate. Gender equality can be discussed in terms of the respect women and men

[2] An election was held in October 2008. The correct answer to this is no, but the law has recently been changed.

have for each other, the relative ownership of resources and, lastly, their individual weight in family decisions. Rahman (1993:10) believes that the status of women is closely related to the proportion of finances that she contributes to the household. Thus, it should be related to the activity of microcredit (1993:209-212).

The choice to measure gender equality is supported by the fact that it is of the outmost importance in development and economic growth. Therefore, the researcher believes that it can be an outcome of more influence over the family's economic situation. Added to this, gender equality was one of the topics discussed and dealt with in the educational sessions of CETZAM.

To a large extent, gender equality (GE) is defined as the term itself indicates. This study allows gender equality to be represented by the level of collective decision-making within the household. This argumentation's point of departure is that men, per definition, are privileged. The clients had to answer four questions regarding whether they made decisions by themselves, together with their husbands, or by themselves. The highest level of GE was given in the case of decisions being made together. They were asked whether their children should go to school, whether they should be a client of CETZAM, whether to buy big items for their household (such as animals, a stove, etc.) and, lastly, how to vote in national elections. The intention was that the questions would capture aspects related to some of the intervening variables; human capital, economic capacity, and political capacity.

2.6.2.1 Hypothesis of microcredit, gender equality

Micro-finance is widely assumed to have a positive impact on women's livelihood in mainly three different ways:

Firstly, by the higher income that improves women's performance in their role as caregivers of the health, nutritional, and educational status of also the other members in the household.

Secondly, by increasing their employment in micro-enterprises and by improving the productivity of income-generating activities.

Thirdly, by “enhancing their self-confidence and status within the family as independent producers and providers of valuable cash resources to the household economy” (ILO 1998:7)

Pillawa (2002:19), who conducted a study of CETZAM a year prior to this research, concludes that microcredit contributes to women’s empowerment. Verba (1995:34) came to similar conclusions and related to these facts. The following list illustrates explanations on how this researcher expects gender equality to increase with duration of membership in CETZAM.

- By making more money, women gain more control over the household budget, which should create a potential of increasing the capacity to make decisions in the home. Wright (2001:231), amongst others, supports this.

- It is likely that the husband changes his view of the woman when her role changes by becoming, to a larger extent, the breadwinner. The result should be a more respectful relationship between the genders.

- In the educational meetings within CETZAM, the issue of open communication between a man and a woman in a relationship is raised. Good communication was described as having an open climate of discussion, being able to express one’s own ideas and feelings regarding all kinds of issues in the relationship and household. CETZAM argued that, by discussing this issue together with other women and talking about their rights to make their voices heard, the clients’ empowerment hopefully would improve. Thus, gender equality would be promoted.

- Since CETZAM implements rotating chairmanship, the members learn how to take responsibility and act as leaders of a group, thus increasing their self-confidence that, in turn, is likely to help the clients to become more gender-equal to their husbands.

However, there might also be negative effects. In some cases, husbands find it difficult to accept the new role of women, and consequently feel that their positions are threatened within the households. In the literature, there are examples of husbands physically and psychologically punishing the women. In other cases, the husband might act to cement her role within the household. However, the researcher believes that the positive impact of microcredit is dominant.

2.6.3 Human capital

Most scholars define human capital as “some kind of education or skills.” The quite universal definition that Rahman (1993:242) uses, defines human capital as “the knowledge and skills that workers acquire through education, training, and experience.” This definition implies something acquired by an individual to enhance the production of the economic society. Human capital was chosen, as education is a fundamental aspect behind all development. Furthermore, it has played an important role in the work of CETZAM. This study defines human capital as: “some kind of education that the client obtained by being a member of CETZAM.” By asking questions relating to what they are supposed to have learned through the education meeting, the researcher expected to capture how CETZAM has influenced the level of human capital among its clients.

The first question relates to their knowledge by attaining advice concerning their business and if they had given advice to someone else about their business. The questions attempted to capture their level of knowledge of directing a business. The researcher believes that the last question concerning whether they had given advice to others, in particular, truly could prove whether they had good knowledge of how to run their micro-enterprises and he would argue that it is when you can teach someone else about a subject that you really grasp/understand it.

2.6.3.1 Hypothesis of microcredit, human capital

To include human capital as an aspect likely to improve with duration in CETZAM has several reasons. One is that CETZAM includes education at their meetings, during which the members learn specific skills and discuss certain subjects, such as issues concerning health and business. It is also likely that informal education takes place between the clients both during the meetings and in the streets. Through sharing common problems and exchanging experiences, they learn from each other about various subjects. Mainly for these two reasons, human capital is expected to increase with duration in CETZAM. By exchanging ideas and experiences regarding business, the economic capacity is also expected to improve.

However, negative effects might still occur due to competition between women with similar businesses. In that case, they might share misinformation and thereby decrease the level of human capital among certain members, thus decreasing the economic capacity. However, the researcher believes that the positive effect on human capital will dominate.

2.6.4 Social capital

Rahman (1993:209) defines social capital as,"the institutions, relationships, and norms that shape the quality and quantity of societies' social interactions." Social cohesion/solidarity is crucial for societies to be both economically prosperous and sustainable. It is further often stressed that social capital is not the institution that builds a society, but rather the glue that keeps it together.

Social capital is often also defined as "trust, attitudes and values in people's interactions" (Andersson, 2002:39). Well-functioning civic networks are thus often referred to when discussing social capital. Networks, such as co-operatives, neighbourhood associations, and even unions of sport or other hobbies, are fundamental to the creation of social capital; thus, they are mostly established as by-products of an activity.

Usually, social capital is divided into horizontal and vertical, or bonding and bridging parts. "Horizontal/bonding" refers to the social connections/associations between people who are already from the same social network, with similar norms. This might have a positive impact on productivity and well-being by stimulating co-ordination and co-operation, but can also be disastrous if people choose to isolate others. Groups working only for their own common best, while making others suffer, can hinder both economic and social development. The "vertical/bridging social capital" refers to the connections/ associations created across networks, which connect people to resources, relationships and information beyond their immediate environment (Putnam, 1995:56). The researcher chose to study social capital since it is highlighted as a crucial factor behind development, and because of his impression that it is often forgotten in developmental work. In addition, it is one of the foundations behind a well-functioning microfinance institution, as it depends on the fact that the women in a loan group trust each other.

In this study, social capital is defined as “trust, networks and community involvement.” Trust is measured by asking the clients what confidence they have in people of their village. This, together with the question whether they participate in any group in their village (usually the church), is combined to measure the effect of bridging social capital (between groups). Thus, the bridging effect has been measured by means of the following questions: “Do you participate in other groups in the village other than CETZAM?” and, “In general, do you trust the people in your village?”

The level of confidence in the group of five, their loan group, was added. In order to reveal further information regarding their trust, a question concerning if members of their group did not repay, was included. These two last questions are considered as bonding capital (within a group).

2.6.4.1 Hypothesis of microcredit, social capital

According to Putnam (1995:78), civic networks foster norms of reciprocity that reinforce sentiments of trust within a society and improve the effectiveness of communications and social organisations. These, in turn, have positive effects on the economic activity. Thus, the economic capacity is expected to increase with an increase in social capital. The relationship between social capital and microcredit institution works in two directions:

- *One of the expected impacts of microcredit is increased social capital.*
- *Social capital is a very important ingredient in making microcredit work efficiently* (social collateral) (McGregor, 2000:46).

The connections between duration of membership in CETZAM and bonding social capital are manifold. The first and most obvious link is what makes up the major foundation of a well-functioning loan group. In order for people to join a loan group, the members must trust each other. Thus, with successful repayment, the bonding social capital will increase over time, since they show that they are responsible and reliable. In the case of default, it might, however, decrease social capital and in a worst-case scenario lead to social exclusion. Since CETZAM has a very high level of repayment, the correlation is expected to be positive. Moreover, the bonding social capital might increase only by the fact that they meet other women in similar situations, women whom they might not have met had they not been in CETZAM. In some cases, however, the women might ultimately be rivals or competitors if they share the same type of business. This might lead to suspicion and the women's distrust of their rivals, hence a decrease in the bonding social capital. However, this effect is expected to be smaller than the positive one. Thus, the concluding hypothesis is that the bonding social capital will increase with time in CETZAM.

But, bridging social capital has another character, since it is about women meeting new people outside the established group. By meeting the other women, it seems likely that they also extend their social network, which probably leads to a higher general trust of local people, and thus increase the bridging social capital over time in CETZAM. However, being in CETZAM might tend to result in personal meetings between only certain women (bonding), which would exclude others, thereby hampering the bridging effect. Thus, the concluding hypothesis on the bridging effect is less certain.

Ignatius Swart and Johannes Erasmus (2010:20) point out that:

> "Social capital pertains to the relationships between individuals of a community which add up to the collectivity of networks and partnerships."

We see that this network allows relationships to be grounded in mutual trust, and reciprocity leads to networks and partnerships with great effect in development through which the problems of poverty and other social ills may be solved best. If the above perspective is used, it is not difficult to see how microcredit could find a significant source of strength in the concept of poverty alleviation.

This chapter attempted to show why the use of microcredit is necessary in Zambia. In the discussion it was argued that microcredit is a strategy which has as its aim to satisfy the basic human needs of a community. As poverty is the one major dehumanising factor that development seeks to reduce or to alleviate the next chapter seeks to analyse and discuss poverty in the Zambian context.

CHAPTER THREE

3.0 THE ZAMBIAN CONTEXT

3.1 Introduction

Located in south-central Africa, Zambia is a landlocked country surrounded by the Democratic Republic of the Congo and Tanzania to the north; Zimbabwe, Botswana, and the Caprivi Strip of Namibia to the south; Malawi to the east; and Angola to the west. It has an area of approximately 753,000 square kilometers and a population of about 13 million, for a total population density of approximately 13 persons per square kilometer. Most of Zambia is high plateau with a flat or gently undulating terrain. Elevations average 1,000 meters to 1,400 meters; mountains in the northeast exceed 2,000 meters. This high elevation makes for a subtropical climate, and average temperatures range from 17°C in July to 22°C in January (Lubanga 2010).

Zambia is divided into nine provinces. Its capital and largest city is Lusaka, which is also a province. Lusaka has a population of almost 1.3 million, with population densities of up to 1,500 persons per hectare and an average population density of approximately 150 persons per hectare.

According to Huntington (1976:67) state that, Zambia gained its independence from Britain in 1964. It is today one of the most industrialized countries in Africa, renowned for its copper ore resources, which are processed in the country and whose export made Zambia relatively rich during the 1960s and early 1970s. However, nationalization of the copper mines, years of under-investment in the mines, inexperienced management, and a fall in the world price of copper led to an economic decline beginning in the mid-1970s. Extensive borrowing has made Zambia one of the most highly indebted nations in the world relative to national output and exports, and in 1990, it was classified as a low-income country. Even though most of the mines have since been divested and private investment in the mines is ongoing, the country remains impoverished, with a per capita GDP of approximately US$410 (World Health Organisation, 2007).

To a great extent, these figures prove what applies to overall inequality in Zambia. The economic inequalities are huge. At the same time that Zambia has one of Central Africa's highest average incomes per capita, 80% of its population live below the poverty line (US$1 per day) and 69% below the extreme poverty line (US$0.5 per day). Of the indigenous population, more than half (80%) are poor (Sida, 2007). The majority of the rural population lives in fragile and vulnerable conditions as a result of high levels of poverty, unemployment, low standards of living, lack of access to resources, unequal ownership and distribution, environmental degradation and slow economic growth (UNDP, 2004).

The indigenous population has a much higher incidence of poverty as well as illiteracy. They are socially, economically and politically excluded and, like many in Zambia, they lack access to public health and education. In other words, Zambia is a country with enormous inequalities (Mubanga 2010).

Explanations of the current situation in Zambia can be found in history. From 1923 to 1963, the region was under British rule. In 1964, it became independent. From the mid-1980s to date, Zambia has suffered a series of the most common natural disasters that occur today: floods, droughts, and traffic accidents (UNDP, 2004). Currently, the political situation is rather calm.

3.2 The political and economic context

A few years after its independence in 1964, Zambia was one of the most prosperous nations in Africa. With a rich endowment of cultivable land, water and mineral resources, it held great potential for sustainable economic development. The new government of the United National Independence Party (UNIP) inherited a very poor or inadequate infrastructure, including human capital, from the colonial regime. Initially, the government followed a fairly liberal political and economic policy, primarily focused on providing infrastructure and services to the majority of the population. However, after the implementation of the 1968 Mulungushi Declaration in 1972, the government switched to a more restrictive policy environment, with a heavy role for the state in national development. The state owned and controlled industry, with high tariffs imposed for protection. Consumption was heavily subsidised, prices were controlled and agricultural marketing and state agencies provided credit.

The booming copper industry, Zambia's economic mainstay, encouraged state controlled policies. In the first ten years after independence, the nation experienced a growth averaging 2.4% a year, significantly lower than population growth, thereby leading to a declining per capita income.

After 1975, Zambia faced falling copper prices (initially, government regarded this as temporary, political turmoil in neighbouring countries and severe effects of the first oil shock. Anticipating a rise in copper prices, the government borrowed heavily to sustain the economy. By the early 1980s, it was clear that the reform of the 1970s had failed. Therefore, between 1983 and 1985, the government attempted an IMF/World Bank Structural Adjustment Program (SAP) that had stringent conditions attached. This was abandoned in May 1987, after massive food riots on the Copperbelt. SAP was replaced by another local program that re-imposed the controls of the 1970s. However, the economy continued to decline, poverty levels rose and debt swelled to US$7.1 billion by 1991.

According to Mubanga (2010) said, in October 1991, the people of Zambia, discontented with the performance of the reforms thus far, elected the Movement for Multi-party Democracy (MMD) into government. This new government pushed liberal policies, supported by the IMF and World Bank SAP, in anticipation of a more efficient private sector led economy. The state's role remained the creation of an enabling environment for private business. Trade, exchange rates and interest rates were liberalized, subsidies removed, agricultural marketing liberalized and most parastatals privatized. The invisible forces of the market were to determine prices for goods and services. On the other hand, through retrenchment and voluntary separation, the state started measures to reduce the bloated civil service to the correct size. During its first ten years in power, the MMD government committed itself to implementing these measures even faster than other stakeholders anticipated.

However, these measures failed to yield the desired goal - to make the economy grow so as to bring about prosperity in the nation. Instead, economic growth was sluggish while poverty continued its upward trend. Discouraged by the inadequate results of these policies, the MMD government has shown signs of retracting some of its earlier commitments. Privatization of the remaining utilities, such as the Zambia Electricity Supply Company (ZESCO), is uncertain while media reports indicate that the government's intention is to designate some of the remaining state enterprises, like the Zambia National Commercial Bank (ZANACO), as strategic industries. On the other hand, government introduced stringent interventions in the foreign exchange market to stabilise the depreciating Kwacha.

In December 2000, the IMF and the World Bank allowed Zambia to qualify for the Highly Indebted Poor Countries (HIPC) Initiative. This meant that the nation was now allowed lower amounts of debt service than otherwise, while the debt stock is expected to be almost halved. Some groups, such as Jubilee 2000, insist that HIPC debt relief is extremely inadequate and will certainly not solve the debt crisis for poor people. It is evident that the strategy of the IMF is clear and extremely dangerous. Duchrow (1995:288) suggests that "counter-strategy must be to discover alternatives to the way IMF regulates on a global scale" and adds that implementing these alternatives will require community participation.

3.3 The poverty situation

Poverty is a serious problem in Zambia. A series of national surveys conducted by the Central Statistical Office (CSO) – the Social Dimensions of Adjustment Priority Surveys of 2009 and 2010 and the Living Conditions Monitoring Surveys of 2009 and 2010 provide trends in the various dimensions of poverty in Zambia. Data from these surveys show that, in general, poverty in most of the critical dimensions increased during the decade. The table below portrays the changes in selected indicators of money-metric poverty. The statistics are based on poverty lines determined by the Central statistical Office (CSO 2008:362).

YEAR	ZAMBIA		RURAL		URBAN	
	Overall poverty	Extreme Poverty	Overall poverty	Extreme Poverty	Overall poverty	Extreme Poverty
2002	70%	58%	88%	81%	49%	32%
2004	74%	61%	92%	84%	45%	24%
2007	69%	53%	83%	68%	46%	27%
2008	73%	58%	83%	71%	56%	36%

Source: central statistical office (CSO) of Zambia – November 2008. E-mail: info@zamstats.gov.zm

In order to ensure comparability of results over time, these poverty lines were the same as those adopted in previous surveys in 1996. The same basket of food has been used throughout, but the poverty lines were adjusted to 2008 prices from the 1991 prices. Similar adjustments were made for the poverty lines in 2002 and 2004, also from the 2008 prices. (*Source: Living Conditions Monitoring Survey in Zambia, 2010.)*

Today, Zambia is among one of the poorest nations in the world. The World Bank classifies Zambia as a "Least Developed Country" and ranks Zambia as 156th out of 174 countries, having fallen consistently over the past years from 136th in 2000 to 142nd in 2001, and to 146th in 2002. Indeed, of 79 countries for which data is available between 2005 and 2009, Zambia is the only country where the value of the Human Development Index is lower than it was in 2005.

Social indicators reveal a declining trend over time, clearly showing the worsening living conditions of most Zambians. Life expectancy is estimated at 40 years, compared to 50 years at the time of independence (1964), and 55 years at the end of the 1980s. Mortality rates are among the highest in the world. The number of orphans has increased, while a significant proportion of children of school going age (7-13 years) do not attend school. National household surveys that the Central Statistical Office (CSO 2010) conducted in 2000, 2002, 2005 and 2007 use an income poverty line as a measure for poverty.

According to the latest statistics, the CSO (2010) estimates that 72% of the population have an income below the minimum level determined by the CSO, which further reveals that the percentage of the population living in poverty increased from 70% in 2001 to about 74% in 2004, decreased to 69% in 2006, and then rose again to 73% in 2008. This measure reveals only the proportion of the population that are income poor, but poverty has many other dimensions. According to Boltvinik (2005:345), people who are income poor need not necessarily be poor in other dimensions of poverty. For example, the latest data from the CSO (2010) shows that 25% of the rural population has access to safe water; hence 75% of the rural population are water poor; 59% of the children are stunted - they are nutritionally poor; 27% of the population have not had any schooling at all - they are knowledge poor, and so on.

Apart from being a multi-dimensional phenomenon, poverty is also not homogenous. Some people are poorer than others. Zambia faces a high incidence, high severity and depth of poverty. According to the *Living conditions monitoring survey 1996*, the incidence of poverty was nearly 70%, but the intensity was 34%. These high levels of intensity and depth of poverty militate against development.

The political and economic situation during the time relevant to this study has been rather unchanged, thus assuring that the impacts observed in this study are not due to any macro-economical external changes. Walters (2002:256), who has been in Zambia since the start of CETZAM supports this.

3.4 Lusaka Province

Zambia is divided into nine provinces. In the poorest North Western Province, Sha'ngombo is situated in the rural area, has approximately 1,415,000 inhabitants, and has the largest proportion of illiterate people in the whole country.

Lusaka is a location with quite a unique history. From studying literature and conducting an interview with a person living in Chilenje, gives one an understanding of the history of Chilenje. As said above, Chilenje was the first village to accommodate refugees from Zimbabwe and South Africa – thus an important historical place.

3.5 Microfinance in Zambia

In the whole of Central Africa, but especially in Zambia, the demand for microfinance institutions exceeds the supply. The estimated market penetration in Central Africa is 10%. At the same time, Central Africa suffers from too many small and weak MFIs that achieve too few results. By relying highly on subsidies, many of them manage to exist despite low levels of performance (CGAP, 2001). Central Africa is the part of the world most densely populated by MFIs. Two of the biggest MFIs in Zambia are CETZAM and FINCA. A popular MFI in Zambia is CETZAM, which was founded in 1995, funded by the British Department for International Development (DFID) through a GB£2.29 million (US$4.71 million) grant over a 5-year period, as from February 1998. It offers its clients three types of loan products, two of which are delivered through a group-based lending methodology, namely the Trust Bank and solidarity group, a third of which is an individual loan product. Through this group-based lending methodology, borrowers form groups that jointly share liability for loan repayment.

The members of the Trust Bank group guarantee one another's loans ranging from US$80 to US$200. In addition, these self-selecting groups are expected to elect group leaders to take responsibility for managing their own activities, including loan accounting. The loan officer's intended role is to assess the eligibility of potential clients, visit their businesses (including food vending, retail, tailoring, and chicken rearing), and train them in CETZAM's lending methodology for ten weeks before disbursing loans. Eventually, the work of screening, monitoring, and enforcement of repayment are to be progressively transferred from the loan officer to the group's own members.

Credit unions in Zambia do not exclusively define their mission as serving the poor, but describe their client base as economically active poor to middle-income clients. Their goal is to diversify their membership income and wealth base to build a stable core membership (Almeyda & Branch, 1998:201).

3.6 The microfinance institution - CETZAM

Among the two biggest MFIs in Zambia, CETZAM focuses on breaking the cycle of poverty (Dixon, 2007:25). Some MFIs have instituted an upper limit of income in order to exclude rich borrowers. Instead, CETZAM has decided to keep the loan sizes rather small. According to Dixon (2007:25), this would make it less interesting for people with a higher income to use CETZAM.

In order for a person in Lusaka to open a bank account, a sum of ZMK750,000 is needed. Very few people have this amount of money. According to the manager, significant collateral is needed to get a loan (Wolters, 2010). It was in this environment that CETZAM decided to start its activities in 1998.

CETZAM is a non-profit, non-governmental organisation that currently serves approximately 25,000 female borrowers, divided into 100 loan groups in 13 villages in four Zambian provinces. CETZAM uses a combination of the methods mentioned earlier. They practise frequent repayment, progressive borrowing, group lending, social collateral and gender targeting.

CETZAM gives loans starting with a sum of US$80. Each loan is called a cycle. After each loan cycle, the clients can choose to raise the borrowed sum by US$80 up to US$200. Currently, one loan cycle is for six months. In addition to the loans, CETZAM demands all its clients to save at least 10% of the loan amount, in order to get a loan. (Dixon 2007:30)

Before receiving a loan, all women must be educated on how to manage a loan. Since most women are illiterate, this education is carried out in a participatory manner using paintings and role-plays as methods of illustration. Here, amongst others, they are taught that to use the loan only for consumption will heighten the risk of default and to invest it wisely in a small enterprise might make them richer (own observation).

As mentioned, group lending and social collateral is also practised. Each loan group consists of 20 to 30 women, who have communal meetings with loan officers and usually also have the same loan amount and duration of time in CETZAM. By using group lending and social collateral, each group of four or five women join in responsibility for each other's loans. If one woman fails to repay, the other women in her group of five - her co-guarantors - are responsible for repayment. If they fail to do so, they are not allowed to take any new loans. The group of 20 to 30 meet regularly every second week when they repay part of their loan plus interest, and hand in small amounts of savings (Dixon, 2007:25).

At every meeting they have education training. The training consists of topics such as business administration and development, health and leadership training. A local indigenous loan officer, trained by CETZAM, leads each group who also selects a group leader among the borrowing women. She is a contact person for all the others in the group of 20 to 30 women, and acts as the spokesperson of the group for CETZAM (Dixon, 2007:31). The documented results of CETZAM's activities, according to themselves, as well as outside research, are as follows:

- *Improvements in housing*
- *Increased solidarity and support among the women in the loan groups*
- *Increased awareness of family planning*
- *Decreased level of spousal abuse*
- *A larger number of children attending school, especially young girls*
- *Improved nutrition for the whole family*

(Dixon, 2007:31).

The women's businesses vary greatly. Some make traditional blouses and/or tourist souvenirs, others are engaged in farming activities and/or street trading, and a couple have stores of their own.

According to Walters (2002), CETZAM is economically sustainable to the level of 70%, thus they cover 70% of all their variable costs through the interests that the clients pay. Donors support the rest. The interest rate of CETZAM is 20%. Furthermore, Walters believes that, in only a few years' time, CETZAM will become economically sustainable.

CHAPTER FOUR

4.0 THEOLOGICAL REFLECTION ON POVERTY AND MICROCERDIT

4.1 Introduction

In our society today, microcredit is encouraged. Much of the impetus to borrow is based on an appeal to our greed. In real life, both Christians and non-Christians are constantly overwhelmed with pictures of things we are told we need and should want, i.e. cars, clothes, homes, vacations and experiences that will give us pleasure and help us in our lives. These are made available to us through easy credit.

In order to satisfy our appetites, we borrow money to purchase what we want. This practice damages Christians in several ways. First, by allowing us to purchase what we lust for, we quell our love for the Lord because these strong desires are nothing more than a form of idolatry. The more we get, the more we want. Instead of satisfying our desires, they only become enflamed. Secondly, easy credit becomes a type of saviour. If you want something, easy credit will enable you to have it now. Instead of patiently trusting the Lord, we put our faith in our credit cards to provide and bail us out when cash is short. We miss experiencing the Lord's provision, because we trust in a different source. Thirdly, these practices hamper us in our practice of self-denial, which is at the very heart of experiencing the fullness of Christ. Paul writes, "I have been crucified with Christ. It is no longer I who live but Christ who lives in me." Instead of learning to put the self to death, we feed the appetites that keep us self-centred, instead of God-centred. Fourthly, these practices lead to an enslavement that hampers us from fulfilling God's priorities for our lives. In order to repay the moneys borrowed, we must spend more time working, which stops us from using the time for family, the people of God and the ministry (Ramsey 2008:40).

How should a Christian then regard debt, microcredit? Is it wrong to have credit, to take out a loan to help the poor? What does the Bible teach on this subject?

4.2 Old Testament teaching

"If you lend money to any of my people who are poor among you, you shall not be like a money lender to him; you shall not charge him interest" (Ex. 22:25-27). The basic thought in this and other similar passages, is that if an Israelite chose to lend money to an Israelite who was poor or destitute, he was not to profit from the loan, but had to have the care and well-being of his neighbour at heart. This passage does not say that all lending is to be limited to cases of poverty. According to Wiersma (2010:194) merely describes a particular situation that the Israelites would face in time and how they were to deal with it. Later in Nehemiah, one reads why God gave this important safeguard and how it protects those in need. Leviticus 25:35-37 further reinforces this by commanding the Israelite who has the means to help those who do not have the means, and to ensure that they do not profit from helping the destitute. Here, the word "usury" does not necessarily imply exorbitant interest as it is used today, but only interest. The point is, it is wrong to make a profit by means of someone who is down and out.

One of the consequences of the establishment of the monarchy in Israel was the taxes that were levelled against the common people. In 1Samuel 8:10-18, Samuel warned the Israelites about this, telling them that the king would take the best of their fields, vineyards, olive groves; a tenth of their grain, wine and sheep. The people would become his servants and would cry out to God under the king's oppression. It later happened that farmers were unable to pay what the king demanded. This made it necessary to borrow from others in order to survive. This borrowing was tremendously risky, not only because of the uncertainty of each year's yield, but also because of the unjustness of the king's taxation (1Ki. 12, Solomon and Rehoboam). The person who found himself in this state was in serious trouble because there was no certain way out of repaying debt incurred, or to get deeper and deeper into debt. The Lord's tender mercy and compassion for people in this state is seen in Deuteronomy 15:1: "At the end of seven years you shall grant a release of debts." This was to be limited to poor brother Israelites. The principle was that God's people must be ready even to suffer personal loss in order to help a brother who had fallen into this cycle through no fault of his own.

They were allowed to collect interest owed by the aliens who lived among them, but not from their brothers and neighbours.

Deuteronomy 15:4-5 contains a promise given to the Israelites. If they carefully obeyed the voice of the Lord there would be blessings that He would give to them. One command is: “You shall lend to many nations you shall not borrow.” In other words they would be financially blessed to such a degree that other nations would borrow from them. In the Old Testament theocracy, prosperity was equated with God’s blessing based upon the faithful obedience of His laws by people (Deut. 28). This is not true under the New Covenant. Jesus lived a perfect life of obedience but walked in poverty (Lk. 9:58: no place to lay his head; 2Cor. 8:9: “our Lord Jesus Christ, that though He was rich, yet for your sakes He became poor”).

The apostle Paul says, “I have learned in whatever state I am in to be content. I have learned how to live humbly and to live in prosperity.” In 2Corinthians 11:22-33, he describes the poverty and suffering he endured as a servant of Christ. For Christians, material prosperity is not a test of God’s favour or blessing. Those who have been entrusted with material wealth will be held responsible for how they use it (1Tim. 6:17-19). But, in poverty, Christians may be recipients of great blessing (2Cor. 8:1: “Moreover brothers we make known to you the grace of God bestowed on the churches of Macedonia: that in a great trial of affliction the abundance of their joy and their deep poverty abounded in the riches of their liberality”) and not experience in any sense the curse of God. What this means is that being able to lend to those who are outside the body of Christ is not a promised blessing that the church should expect as though to exercise dominion or authority. The New Testament church is not the same as the nation of Israel (Neufeld 2005:409).

Deuteronomy 23:19-23: “you shall not charge interest to your brother…” and verse 20: “to a foreigner you may charge interest but to your brother you shall not charge interest.” These verses help bring into focus an important issue. Is charging interest inherently evil? As already stated, in the Old Testament “usury” does not mean exorbitant interest. It just means interest. Would God permit his person to do something that is inherently evil? No, in fact in Leviticus 25:35 it is written: “If one of your brethren becomes poor, and falls into poverty among you then you shall help him, like a stranger or a sojourner, that he may live with you.” Although, the special benefits of not charging interest are reserved for the brother Israelite, the non-Jew is still to be treated with kindness. If charging interest is inherently evil, how would you be showing kindness to the non-Jew? The reason why charging interest is not inherently evil is because the lending of money provides something of value that should be recompensed. If you rent a car from a car rental, you expect that to use it you must pay a fair price. You must return the car and realize it is only right to pay for its use. Lending money is similar. Money has value. When it is lent for someone’s use, it is right for him or her to pay for the usage. However, as stated before, interest is inherently wrong when it is taken from one of God’s people in need. This is the point of Ezekiel 18:8, 12-13. In that case, usury is a sin and an abomination.

According to Wogaman (1986:93) quotes, Deuteronomy 28 and describes the blessings that would occur if Israel walked with God in obedience to His commands, and the curses that would occur if they did not carefully observe all His commands and statutes. These pictures of curses paint a vivid picture of utter devastation; the ravages of war, horrible diseases, madness and confusion are all a direct consequence of breaking God’s covenant. Verses 38 to 44 describe the crushing of Israel’s economy. Both agriculture and commerce would fail. Here, a reversal of Israelite and alien residents’ roles is shown as part of the devastation that Israel would face. Instead of Israel controlling the land and economy, in verse 43, the Lord says: “The alien who is among you shall rise higher and higher above you, and you shall come down lower and lower. He shall lend to you but you shall not lend to him: he shall be the head and you shall be the tail.” This is a picture of the Jewish people being crushed into a state of submission and dependence upon the non-Jewish population in their land. Here, borrowing from resident aliens is one example of the poverty the Lord inflicted on His disobedient people. This passage does not say that all borrowing from non-Christians is a judgment from God. It teaches that, when the Old Testament nation of Israel rejects God’s commands, they can expect to experience financial disaster in this reversal of roles, and that this borrowing will be one expression of their enemies' domination. Proverbs 22:7: "The rich rules over the poor. The borrower is slave to the lender." This verse is an observation of the controlling power that the lender has over the borrower. It is a powerful warning, particularly in the case of private loans. When you are in debt to someone, you feel obligated to them. Sometimes the lender inappropriately uses people who owe them. He becomes the master and they the slaves.

In Moses' teaching, God forbids Israelites to "impose interest on" poor members of "my people" when lending them money—literally, "silver" for coinage, was a development of the Persian period (Ex. 22:25 [22:24 in Hebrew Bibles]). The reference to the poor indicates that the text does not refer to regular commercial loans, even though it speaks of money, not goods in kind. For example, it is possible to imagine successful Israelite farmers borrowing to enlarge their herds, but the Old Testament does not refer to such loans. It rather presupposes a situation in which, for example, a farmer's harvest has failed and he needs to borrow to feed his family, or else stew for the next year.

The Hebrew term for "interest" is *neshek*—literally a "bite." Other passages use the words *tarbit* and *marbit*—literally "increase"—with a similar meaning. Older English translations interpret the words to refer to "usury" (i.e., excessive interest, however that may be defined), but the researcher thinks this is a mistake. The text forbids any lending to the poor at interest. Many English translations also introduce the idea of charging interest, or the idea of usury into the use of the verbs *nasha'/nashah* and related nouns, though, in themselves, these verbs simply refer to lending. But, in fact, the passage in Exodus warns people not to behave like lenders (*nosh'im*) when they lend (*lawah*) money to others. It appears as though *lawah* refers to lending in general, in the way that an ordinary person might lend something to a friend, while *nasha'/nashah* refers to something more formal or commercial, which by its nature would be likely to involve interest. But, it would be quite possible for creditors to apply the regulation concerning lending at interest, yet still treat debtors oppressively. Lenders are not to take the necessities of life as pledges, such as an ox, an ass, a garment, or a millstone—or a baby (Deut. 24:6,17; Job 22:6, 24:3,9). An oppressive lender is a person who insists on taking away a widow's children (so that they can work for him) because of the family's debt (2Ki. 4:1). A story about community controversy in Nehemiah 5 concerns oppressive lending: it may refer to charging interest or to other tough actions, such as foreclosure on loans.

Sonko Karamo (1994:123-125) alludes to two reasons for debt, crop failure and imperial taxation. The two stories also make clear the results of default. One may forfeit fields, orchards, and houses, and/or end up in “slavery”—but that term is misleading, since it resembles temporary indentured labour more than the chattel slavery imposed on the ancestors of many African Americans. A second passage in Moses’ teaching expands on the point in Exodus that refers to the poor person as “your brother” and refers to the command to “revere God.” It also includes reference to lending food, which makes more explicit the kind of predicament of a poor harvest, that the texts are concerned to regulate. The passages urge the aim of letting your brother live with you as a resident alien—that is, someone who can maintain himself even though he has had to forfeit his land (Lev. 25:36-37). People who are doing well are expected to lend freely to the needy and to accept payment in the form of labour, or of the eventual repayment of the debt in money that the person had earned through labour. So, the debtor would seek to work his way back to solvency by committing himself to indentured labour for a set period, or to paid employment in relation to someone who had land—the equivalent to getting a job rather than the norm of being self-employed (J.P. Wogaman, 1986:56).

A third passage in Moses’ teaching makes clear that people must not impose interest on any form of loan, in money or in kind (Deut 23:19 [23:20 in Hebrew Bibles]). That passage also is explicit about Israelites being permitted to impose interest on loans, to a foreigner (23:20 [21]), as one need not remit a foreigner’s debts in the Sabbath year (15:3). This is an example of a number of obligations that did not apply to foreigners. It did not imply that usury was acceptable in relation to foreigners; the First Testament is not explicit about usury. Neufeld (2005:367) says, this exemption has had considerable influence in encouraging Jewish people’s involvement in the commercial world. But we do not know the original background or significance of the requirement. Perhaps it allows commercial loans to (e.g.) local Canaanites or foreigners involved in trade. Perhaps it refers to resident aliens who chose not to be full members of Israel. Or, perhaps, it is a purely theoretical rule—permitting loans at interest to Israelites is a way of underlying the prohibition on loans at interest to nearly all people that asked for a loan. Historically, it may be that none of the material in Exodus, Leviticus or Deuteronomy goes back to Moses. The question of the origin and relative dating of different parts of Moses' teaching is complex and is unlikely ever to be resolved. A few decades ago, there was some scholarly consensus on the matter, but that has now collapsed. Therefore it seems to be necessary to work with the material as it stands without any particular theory about dating, while recognizing that the material developed, perhaps over nearly a millennium, from Moses' own day to the Persian period (Walker 2009:56).

Beyond Moses' teaching, Proverbs 28:8 promises that people who augment their wealth by lending at interest "gather it for people who are kind to the poor"—i.e., they will not see the profit themselves. Psalm 15 asks: "Who may sojourn in God's tent?"—i.e., stay in God's presence. The answer includes the general requirement of a life of integrity and truthfulness, and also some concrete expectations, such as to avoid slander, keep oaths, refuse bribes and not lend money at interest. The prophet Ezekiel (18:8,13,17) speaks in similar terms by listing obligations that people should fulfil if they wish God to treat them as righteous, such as not worshipping images, defiling their neighbours' wives, robbing people—and lending at interest. Ezekiel implies that people did not fulfil these obligations, and later makes explicit that the well-to-do in Jerusalem have committed many of the wrongs that he lists, including this one (22:12).

According to Hotchkiss (2005:37) draws the, attention to the fact that people cannot draw inferences from Moses' teaching regarding actual Israelite practice. The Old Testament histories include no reference to Israel ever implementing the teaching about the Sabbath year or the jubilee year, let alone lending without charging interest, and includes a number of criticisms of Israel regarding such matters. Yet, we may mislead ourselves in expecting that Israelite practice would necessarily conform to Moses' teaching. Christians, at least, tend to understand Moses' teaching as "law," but the word *torah* has a broader meaning. While Moses' Torah or teaching includes regulations that seem to be designed for quasi-legal literal implementation, other material seems more like concrete embodiments of a style of life whose point we would miss if we took it legally—we might fulfil the law's letter but not its inner demand. Jesus' "Sermon on the Mount" raises similar issues.

The researcher imagines that the ban on charging interest would indeed have been intended for literal implementation, but, in questioning its implications for us in a different social context, we need to examine it in the light of the various aspects of its stated rationale—e.g., in its concern for the poor. In more commercial contexts and in a competitive situation, people might charge interest on commercial loans without infringing the principle underlying this teaching. Exodus 22 begins with: "*If* you lend," but it presupposes *that* you will do so. To refuse to lend would contravene other exhortations regarding concern for the needy. The point is explicit in Deuteronomy 15, which urges people to lend generously to poor members of their "family." Righteous people do well in life and, therefore, are in a position to give and to lend and thus to be a blessing (Ps. 37:25-26). Things go well for the person who deals generously and lends (Ps. 112:5).

4.3 New Testament teaching

In the following passages (Mt. 5:38-48; Lk 6:27-36), Jesus teaches about the unique nature of Christian love. By means of various examples, He demonstrates that it is very different from the world's understanding of love. Christian love must be unselfish, not prejudiced against those one likes, and not influenced by what one hopes to receive in return. It is to be characterized by self-sacrifice and self-denial, even giving up rights and enduring evil treatment for the sake of showing kindness and avoiding conflict. Within this context, Jesus gives a command on lending: "Love your enemies, do well and lend, hoping for nothing in return: and your reward will be great and you will be sons of the Most High." Lending is to be an expression of this unique powerful love that moves us to want to give and show kindness to our enemies, as well as our brothers and sisters in Christ.

In Romans 13:7-10, verse 8 is often quoted as a blanket prohibition against any borrowing. This is a result of not reading the complete paragraph containing this verse.

Verse 7 is a reminder to Christians that they have an obligation to pay governing authorities their due: pay them the taxes, customs, fear, and honour they require and is owed them. Paul's point is: "Do not overlook these duties or let them go." This is why he says: owe no man anything. It is clear is that he is exhorting them to fulfil their obligations. These verses are a strong command to pay everyone what we owe them and not to let our debts be long-standing or unattended. He does not tell us that it is intrinsically wrong to borrow or enter into debt. The only way you can come up with that interpretation is by ignoring verse 7. It is interesting to note that the debts referred to in verse 7 are debts to the government and its officials, who are not necessarily Christians. These Roman believers were most likely indebted to non-Christians, although they had not entered into a voluntary contract.

The New Testament confirms the stance of the Old without adding to it. As with Moses' teaching, we do not know how much of Jesus' teaching is from Himself, and this question is left aside in the conviction that the Christian development of Jesus' teaching in the New Testament is also normative for the Christian community, just as the Israelite development of Moses' teaching in the Old Testament is normative for both Jewish and Christian communities (Zylstra 2006:17).

The New Testament refers to lending on interest only in the context of a parable - about a man entrusting his assets to his servants (Mt. 25:27; Lk. 19:23). One cannot infer an ethical position from such parables, which start from the realities of life in order to make a point about something else. Jesus urges his followers to lend to whoever asks for a loan (Mt. 5:42) and makes explicit that this applies even to enemies, and applies even if you do not expect to gain in any way from the act (Lk. 6:34-35). 4 Maccabeus 2:8, a Jewish work from about the same period that some Christians came to treat as near-canonical, claims that when people start conforming their lives to Moses' teaching, even if they are by nature greedy, they start lending to the needy without charging interest. Christians have reckoned that Jesus' teaching was more radical than Moses' but the researcher cannot agree. Moses' teaching about loving one's neighbour offers no exemption if one's neighbour is one's enemy, and specifically requires one to help one's enemy (Ex. 23:4-5). It would also imply that one should not hold back from lending because the needy person is one's enemy.

The researcher is not competent to comment on the development of Christian attitudes to lending at interest over the centuries, but understands that, through the first millennium of the Common Era, the Christian Church simply affirmed the Old Testament principle that lending on interest was disapproved, on the continuing presupposition that loans were an aspect of care for the needy. But, in practice, lending on interest was tolerated as long as rates were not judged to be excessive. Where Christians adhered to the principle of not lending on interest, Jewish moneylenders were able to fill the vacuum on the basis of the Deuteronomic permission on charging interest to foreigners. In the second millennium, commerce began to develop in new ways and the practice of lending on interest became prevalent, initially despite the church's opposition. However, in due course, in keeping with the usual pattern, the church conformed to the secular pattern and provided a theological rationale for it. In the 15th century, Italy's public pawnshops developed (with Franciscan support) to offer loans to the poor more cheaply than those offered by regular moneylenders who charged a very low interest designed simply to cover expenses. In 1516, the Fifth Lateran Council approved this. As years went by, these pawnshops also began to lend for commercial purposes at higher rates.

Feeling unbound by the course of discussion within the medieval church and perceiving that the Old Testament was concerned with caring for the poor and not with commercial loans, John Calvin removed the ban on lending at interest, with safeguards that predictably were conveniently forgotten. In due course, the Roman Catholic Church also removed its ban on lending at interest. More seriously, as the capitalist world developed, the idea that the point about lending was to care for the needy became lost. In Victorian Britain, the development of the Cooperative Movement and the Building Society Movement attempted to recover it. In effect, the customers of the coop were the shareholders, while building societies worked by attracting safe investments from people who hoped eventually to buy a house, and lent the money to people who were already in a position to do so. Until a generation ago, it often was difficult to get Anglican clergy in England to retire when they should have done so, because they had always lived in a church parsonage and now had nowhere else to live. When the church wanted to introduce compulsory retirement, it had to solve this problem. So, to get the clergy out of their parsonages, it began lending them the money to buy a house—on interest (but a very low rate!).

4.4 The concept of lending and borrowing

There is no record of a society that operated for any period of time without borrowing and lending. The Zambian society is a very rare instance, where the laws favour the borrowers over the lenders. So, lending is not a new principle. Historically, it is as old as man's written record. Christians should be concerned about two areas as regards lending money: (1) lending to Christians and not charging any interest at all, and (2) lending to non-Christians and charging a fair rate of interest. Since Scripture does not prohibit loans to another person, Christians can lend money both to Christians and non-Christians. However, according to Luke 6:34-35, Christians should be willing to lend even to those who can never repay.

> *"If you lend to those from whom you expect to receive, what credit is that to you? Even sinners lend to sinners in order to receive back the same amount. But love your enemies, and do good, and lend, expecting nothing in return; and your reward will be great, and you will be sons of the Most High; for He Himself is kind to ungrateful and evil men."*

This does not mean that Christians should lend money indiscriminately, but implies that they must be willing and able to lose it, if necessary. Even so, the obvious meaning of this passage is to give to those who have needs—regardless of whether they ever have the ability to repay or reciprocate. Although the implication throughout the Bible is that a loan can be made to anyone, there is little Scripture that deals with the specifics of lending and charging interest. However, what is recorded on the subject seems to be very clear: do not charge interest to your "brothers."

> *"You shall not charge interest to your countrymen: interest on money, food, or anything that may be loaned at interest"* (Deut. 23:19).

For a Christian to lend to another Christian and charge interest, violates a basic principle of God's Word. Christians witness to others by their willingness to lend money to fellow Christians without profit. Although there is no such admonition against Christians charging interest to non-Christians, they are directed to avoid excessive amounts of interest and to be fair (see Php. 2:3). Although Scripture permits Christians to charge interest on loans to non-believers, this does not mean a Christian *has* to charge interest. God may well convince someone to extend a loan at no interest as a testimony and a door-opener to be able to share the message of Christ. Consequently, Christians must seek a balance between being a good steward and being a good witness (R.K. Klay, 1986:234-238).

God's principles of lending and collecting do not require a Christian to sit passively by if someone refuses to pay what is due. However, neither do they allow Christians to use the devices of the world, such as collection agencies and lawsuits, to collect debts. Christians have the right to collect money owed, but only under biblical guidelines. Nevertheless, short of a lawsuit, all means may be pursued in trying to resolve the situation. Since Christians are clearly admonished in Paul's first letter to the Corinthians (1Cor. 6:1) *never* to take another Christian before the secular court for *any* reason, if a Christian lender feels that a Christian debtor has the capacity to pay the money owed but refuses to pay, the lender should confront that person as prescribed in Matthew 18:15. This does not, in any way, involve collection of the debt but, rather, discipline in the faith to correct the “sin.”

According to Marty (1990:567) suggests that there are boundaries within which Christians are to operate that are much narrower than those of the world. For example, in Matthew 12:7, God says He desires compassion from His people more than He demands sacrifices of them. This means that, when in doubt, lean more toward mercy than justice. If Christian debtors say they cannot pay, a Christian financial counsellor could act as an intermediary, to prepare a budget review for them, to determine exactly how much they can pay, and to have the debt adjusted accordingly, if necessary. However, once these options have been exhausted and the situation is still not resolved, God's Word teaches that the debts should be forgiven, written off, and forgotten, leaving the results in the hands of God. The Bible teaches that we are not the true owner of material possessions but, rather, we are caretakers or stewards. By accepting this idea of stewardship, we acknowledge the need to handle, use and care for these God-given possessions according to His wisdom and will (Vanier, Jean 1977).

This shapes how we choose to spend, save, lend, borrow, invest and give the tangible resources God has given to us. In our culture today, the attitudes towards lending and borrowing can be quite different from God's view on the subject. In today's culture, we often have a careless attitude towards borrowing and lending. However, God is clear in His caution to us about becoming indebted (as well as lending with a generous and gracious heart). Borrowers become enslaved to lenders. God does not desire slavery as a condition for our lives; neither is enslaving others through lending an action that God desires. To the greatest extent possible, God would like to see us live free of borrowing and enslaved by no one. Carrying a great amount of debt and, in particular, *consumer* debt is also an example of unwise stewardship.

While God clearly appears to caution us against becoming (or remaining) financial borrowers from others, God also commands that we honour our vows and commitments. This includes commitments to repay those who have lent to us. On the other hand, God commands us, as lenders, to conduct such transactions with grace and love.

4.5 The concept of financial sustainability

The researcher has added his own voice to this amplification process, mentioning concepts and principles including: human rights, justice, common good, cultural communities, philosophy, theology, God's plan for the universe, preservation and repair of natural systems, relationships between spirit and matter, sharing resources and wealth, respect for diversity and the community of life, peace and nonviolence - to list only some of the ideas offered. As a starting point to capture some, but not all of these concepts, this study offers a brief, pragmatic definition that suggests concrete steps or initiatives that would direct human efforts in a sustainable financial direction:

Through lending and borrowing, financial sustainability is a commitment to respect and care for the community of life. It is economic growth that promotes the values of human rights, care for the natural world, and striving for the common good of the whole earth, and community, especially the poor and most vulnerable. It involves sustaining the present generation without imposing long-term costs or penalties on future generations. It replaces the use of non-renewable resources with renewable ones and reduces the consumption of all resources. This entails re-use, recovery, and recycling wherever possible; and replenishment or restoration of the natural balances that our actions affect. It implies sound life-cycle planning and economics—economics that truly reflect the environmental and human cost of our technologies and decisions. Financial sustainability will succeed only if it expands to include a vision of sustainable communities that hold all creation as sacred. Quoting Repetto, August (1999:27) defines sustainable development as "... a developmental strategy that manages all assets, natural resources, and human resources, as well as financial and physical assets, for increasing long-term wealth and well-being." The basic distinctive part of financial sustainability deals with the continuous flow of benefits.

4.6 The role of the church in Poverty alleviation and Microcredit

The church has a major responsibility in teaching its members to become good stewards of their resources, including taking care of their credibility and integrity. The researcher believes that a community with credible inhabitants will make life better for the poor and enhance the work of the church. Hence the involvement of the church in financial sustainability through microcredit brings to mind an issue that is fundamental in this researcher's view. He refers to the clear need for the active participation of churches in community life and development. For, while we recognise the spiritual value of prayer vigils and marches, he believes that all church leaders also have a responsibility to play a material day-to-day role in the social upliftment of the poorest and most ignorant among us.

The researcher, of course, recognises that the older, more established denominations have a proud record of community development and he honours the work of the United Church in Zambia, who helped the refugees to set up organised communities all over Zambia following the wars in neighbouring countries in the 1970s. And, in the absence of organised political leadership for the refugees, church leaders very often were the ones to take up the mantle. Also, in education, there can be no discounting the proud role of many of our Christian denominations, including the Baptists, Methodists, Roman Catholics and Anglicans. For many refugees of an older generation, the church hall was the school, and Sunday's preacher was the teacher during the week.

Today, the need is not as great as it was 50 years ago, but several of our church denominations have maintained a considerable stake in education and their work at the basic, pre-school level (early childhood education) is very worthy of commendation. But, it seems that there is far more that can and should be done at community level. Pastors and lay preachers command great respect in their communities, with the ability - from the pulpit as well as the street corner - to influence opinion and trigger group action.

We rather suspect that, after the bitter political divisions of the 1970s, the church has retreated into a more narrowly defined spiritualism, in which prayer is often perceived as the answer to all things. Back then, the established church, particularly through the Council of Churches in Zambia, was severely criticized for playing too secular a role. It seems that CETZAM's calls have provided an opportunity for the church to re-emerge as a dynamic force for most crucial social change at community level.

For example, community religious leaders are in a privileged position to address one of our more serious societal problems, the poor school attendance and, in some cases, non-attendance, of so many of our young ones. Children do not attend school for all sorts of reasons, including the lack of bus fare, lunch money, clothes and shoes. Community microcredit actions led by the church can resolve such problems.

Literacy programs, skills training, counselling for adults and children and, of course, conflict resolution are among the many areas in which we believe church leaders, in partnership with state organs, should be more proactive, both formally and informally, at community level. The physical structure, the church building itself, means that pastors and lay preachers hold a distinct advantage in terms of starting their programs. All too often, it seems that church buildings are left idle, reserved only for religious matters.

4.7 Church-implemented microcredit

The Old and New Testaments place considerable emphasis on the poor, revealing God's heart for the poor. Hundreds of scriptures admonish the believer to "consider the poor" "do good" to the poor, "plead the cause" of the poor, "lend to the poor" and help the poor out of their poverty! In Deuteronomy 15:1-11, God outlines His blueprint to prevent perpetual poverty. As one reads these verses, one finds that loaning to help the poor regain economic security, was central to God's original formula.

> *"At the end of every seven years you must cancel debts. This is how it is to be done: Every creditor shall cancel the loan he has made to his fellow Israelite. He shall not require payment from his fellow Israelite or brethren, because the Lord's time for cancelling debts has been proclaimed. You may require payment from a foreigner, but you must cancel any debt your brethren owe you. However, there should be no poor among you, for in the land the Lord your God is giving you to possess as your inheritance, he will richly bless you, if only you fully obey the Lord your God and are careful to follow all these commands I am giving you today. For the Lord your God will bless you as he promised, and you will lend to many nations but will borrow from none. You will rule over many nations but none will rule over you. If there is a poor man among your brethren in any of your towns of the land that the Lord your God is giving you, do not be hardhearted or tight-fisted towards your poor brethren. Rather be open-handed and freely lend him whatever he needs. Be careful not to harbour this wicked thought: 'The seventh year, the year for cancelling debts is near,' so that you do not show ill will towards your needy brethren and give him nothing. He may then appeal to the Lord against you, and will be found guilty of sin. Give generously to him and do so without a grudging heart; then because of this the Lord your God will bless you in all your work and in everything you put your hand to. There will always be poor people in the land. Therefore I command you to be open-handed toward your brethren and toward the poor and needy in your land. Blessed is he who has regard for the weak; the Lord delivers him in times of trouble"* (Deut 15:1-11).

God even pronounces a blessing, a tangible blessing, encompassing all of life to those who "consider the poor." It must be emphasized that our attitude towards the poor reveals the deep issues of our hearts. Many use the poor for their own profit or even the profit of their organizations. This is an age-old problem.

> *“Why wasn’t this perfume sold and the money given to the poor? It was worth a year’s wages. He did not say this because he cared about the poor but because he was a thief; as keeper of the money bag, he used to help himself to what was put into it”* (Jn. 12: 5,6).

“Holding the bag” presents many temptations here and abroad. In James 2, the writer admonishes the church saying they “despised the poor” and had become “judges of evil thoughts.” The Christian missionaries or agencies “despise the poor” and become “judges of evil thoughts” when they view the poor as deficient human beings, needing their goods, support, supervision, and money, to make us whole! Their despising the poor, coupled with their own sinful pride, is often at the root of the problem of dependency. Solomon writes “nevertheless the poor man’s wisdom is despised and his words not heard” (Ecc. 9:16). Wiersma (2010: 191-199) says, when people turn a deaf ear to the poor, ignoring their wisdom and words, we set out on our own path, a path of least resistance called “dependency work.” Throughout the Scriptures, the dignity of the poor man is preserved by allowing him to work his way out of poverty when conditions allow. For example, leaving the corners of the field unharvested for the gleaners preserved the dignity of those who were temporarily impoverished. The New Testament, the foundation of the western work ethic, is rich in references, honouring and encouraging work.

> *“Make it your ambition to lead a quiet life, to mind your own business and to work with your hands, just as we told you, so that your daily life may win the respect of outsiders and that you will not be dependent on anybody”* (1Th. 4:11,12).

> *“He who has been stealing must steal no longer, but must work, doing something useful with his own hands, that he may have something to share with those in need”* (Eph. 4:28).

Ramsey (2008:15-18) focuses on the key to releasing those in poverty: work that applies God-given talents and resources to create wealth; wealth to meet own needs, as well as that of others. This is in sharp contrast to accepting someone’s charity. CETZAM’s guiding principle is Scripture, “Therefore, as we have opportunity, let us do good to all people, especially to those who belong to the family of believers” (Gal. 6:10). During this consultation, we talked about “doing good.” Dependency is the result of “doing good” that is not good. Self-reliance is the result of “doing good” that is good. The gulf is very wide between these competing ideas of what constitutes "doing good." Dependency and how it begins, anyone who has spent time on the "mission field" is confronted here by the disparity between the wealth experienced as normal, and the poverty of fellow believers. It does not take long before many ways that need especially material help are evident. According to Barker (2006:15-16) states that, our minds become flooded with "if only" thoughts: "If only their pastor did not have a business to make a living, think of the time he could spend on teaching and evangelism; if only they had a decent church building and maybe a Christian school; if only they had a vehicle to do outreach; if only their children had decent clothes; if only their pastor could get real university education." The list grows endlessly! Before long, a promise is made to share the need back home and the well-meaning flow of needed cash and things begins.

The above illustration is simplistic, but all too real. Seldom, though, is the devastation recognized until the damage is done. Jealousy begins to stifle the once abundant zeal. A struggle to gain missionary favour is unavoidable, and all too common and uncomfortable. The "needs" seem to grow without end. Dependency is the bitter fruit, hampering the spread of the Gospel. How did this happen? The premise was wrong! The motivation was faulty! Instead of seeing the "poor" of God's kingdom as He does, "rich in faith and heirs of the Kingdom," we turn to become "judges of evil thoughts." Instead of asking God for a scriptural solution to poverty, we come with a quick fix. Yes, the observations of the missionary are accurate. There is the need of supporting the pastor, building churches and schools, doing outreach, caring for the real orphans, training workers and the general uplifting of the economic standard of the believers. How to address these needs in a scriptural manner, while avoiding dependency, must be our goal. Can microcredit be used to minimize the dependency syndrome? The researcher believes the answer is yes! When strict biblical principles are used to guide a microcredit program, dependency is not a problem and a healthy reliance on God results.

A microcredit program comes from established mission agencies, missionaries and indigenous organizations. In order to ensure a working relationship, the principles of operation must be clearly laid out and be agreed to by the cooperating agency or missionary. The cooperating agency selects the initial volunteer committee members, based on known character and experience. This committee is usually made up of representatives from the group of churches to be helped. A mix of church leadership and business people is preferred. The committee then drafts a policy statement, which incorporates CETZAM's basic principles, as well as culturally specific modes of operation to ensure success. This policy statement is key to the success of the program and varies uniquely from culture to culture.

Forms for project proposals, and loan agreements are presented for approval. After all the preliminary paperwork has been approved, the committee is trained in general biblical issues of stewardship, business principles, and program operation. Usually, the professional staff does this. An initial grant to the committee is given for the first round of loans. This grant usually funds about ten family projects. All grant monies become the property of the committee and form the revolving fund. One can make regular contributions to this revolving fund, based on need and performance. Periodic committee reports to CETZAM include the program's financial status as well as testimonies from project holders. Visits by staff are made to encourage and further train the committee members, as well as to visit project holders. We have learned that development without Christian conversion is futile at best. Family development is preferred to most forms of community development, because the family has a vested interest to succeed. They are also best at identifying their real needs and work hard to meet them. Working through the family is very cost effective. Strong vital families are the building blocks of any strong church. The head of the home is the preferred recipient of a loan. The biblical model of family is thus preserved and strengthened.

> *"If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever"* (1Ti. 5:8).

Family discipleship, especially in biblical stewardship, is key to the success of the project. Money is a core issue; therefore, it is not surprising that the loan program is an open door to effective discipleship. The church and committee monitor the family together to ensure project success. "For where your treasure is, there will your heart be also" (Mt. 6:21). Tithing of project profits cannot be overemphasized as a key to successful microcredit programs. Tithing must be taught as an act of thankfulness and obedience for God's blessings. The joy of giving needs a starting point and our policy of tithing the profits of the project provides just that. Once this habit is established, it releases the individual to a lifestyle of generous giving and experiencing God's blessings. "Will a man rob God?" Yes, even the poor can rob God in tithes and offerings! Giving is key to breaking the cycle of poverty. The project holder not only provides for his own needs, but also becomes a blessing to others. This truly builds self-worth and breaks the poverty mentality. Project candidates must have local church endorsement. This ensures that the committee helps those with a proven Christian commitment and a real need. (Walker 2009:403).

The volunteer committee operates a para-church. This encourages fairness in loan distribution and preserves the unity of the church. The Policy Statement gives the committee a uniform standard of operation, minimizing favouritism. Generally, new programs are considered if recommended by a known field missionary or a well-established indigenous mission. Zylstra (2006:14) states that, the size of a program and area of impact is determined by the ability of the committee to effectively administer and monitor the program. Generally, nationwide programs are avoided due to logistical constraints. Loan distributions should be clustered to maximize the impact of generated tithing on individual churches. The goal is family, as well as church, enablement. All volunteer committees favour those with a heart to serve and they foster trust in beneficiaries.

A service fee set by the committee of 5% to 10% of the loan's face value helps pay administration costs, and forms a buffer against bad debt and devaluation that decrease the revolving fund. There is little reluctance by loan recipients to these fees and pay-as-you-go seems to promote program ownership. As the revolving fund grows and more loans are revolved, the generated service fees have the potential to fund a part- or full-time position on the committee (Hotchkiss 2005:28-33).

Although these programs may grow and became indigenous ministries in their own right, the practice has ended. These programs may be "dependent," but later they may investigate resources, such as service fees and local support to meet administrative needs. This could be a difficult but necessary transition for the programs to become fully indigenous. No government funding is received. This policy may permit total freedom to share the Gospel as well as to target the church of Jesus Christ. Programs that incorporate regular meetings of project holders, with the sharing of testimonies, ideas, as well as receiving continuing biblical and technical training, are the most successful.

According to Hotchkiss (2005:31) says, that, Committees can cost-effectively provide technical training from in-country resources that benefit project holders as well as the community. The creativity and skills of the borrower dictate the types of projects funded. If skills are lacking, appropriate training is recommended. The committee fine-tunes the proposal to make business sense before final approval. Loan sizes vary from program to program, but may generally be between $50.00 and $500.00. The repayment schedule may reflect the onset of a profit. It normally takes two or three project loans to bring a family up to a self-sustaining status. Integrity and project potential are key elements towards the award of a second or third loan. Project size must be large enough to maintain capital for the continuation of a project.

Using surety, to guarantee loan repayment, has some very negative consequences and we suggest that committees not use this approach.

> *"Do not be men who strikes hands in pledge or puts up security for debts"* (Pr. 22:26).

Neufeld (2005:356) states that microcredit is an opportunity for the rich to supply the "necessity of the saints" meaningfully, while not fuelling dependency.

> *"If anyone has material possessions and sees his brother in need but has no pity on him, how can the love of God be in him?"* (1Jn 3:17).

In this section I offer the observation that families are key to development. It is also important to note that the poor need not be dependent but, in fact, flourish when given the opportunity to use their God-given talents and gifts. In addition, wealth created by believers not only impacts the immediate family, but can be directed to support the local church and its ministries. Overall, this approach is an effective tool for preventing or reversing the dependency syndrome.

Some observations on the benefits of a Christian microcredit program:

- Families and individuals in poverty are given an opportunity to find a dignified way out of poverty.
- The welfare mentality is broken.
- The whole family is helped.
- Working with one’s hands to have something to give to others is liberating.
- The project holders experience the joy of giving, and being a blessing.
- It maintains the biblical family order in actually keeping families together.
- It impacts the rural as well as the urban poor.
- It breaks the usurious money lenders’ hold on the poor.
- It multiplies “thanksgiving unto God”! (2Cor: 9:12).
- It generates prayer for those who give to support the program, thus connecting the Body of Christ in a healthy way. “And by their prayer for you, which long after you for the exceeding grace of God in you” (Ramsey 2008:110).

The committees provide leadership opportunities that develop real servant leaders. Programs encourage true local ownership and decision-making, adapted to the local culture and promote an indigenous vision to help their own people. The church becomes a viable agent of change in the community. The local church is strengthened by the spiritual growth and giving of project holders, and real contact ministries flow from them. This is key to growth, evangelism, and missions. Discipleship through stewardship produces strong Christians. The right handling of “unrighteous mammon” qualifies the disciple to be trusted with “true riches.” Local committees have the potential to grow into effective indigenous ministries in their own right. Microcredit programs can be supported or supplemented from within the country. This promotes real ownership of the program and is a worthy goal. Because of its grassroots nature, microcredit raises up the neediest in the population versus community development that primarily benefits the middle class. Microcredit easily adapts to local culture, thus ensuring success not normally experienced in development projects implemented from the outside. Entrepreneurs create jobs for others, and thus stimulate the whole economy. Governments appreciate entrepreneurship and the uplifting of the poor.

Is Christian microcredit a useful tool for missions without the downside of dependency? Ignatius Swart and Anna Nieman (2010:38) confirm that:

> *"Churches and FBOs are faced with the challenge of devising development programs that can effectively and in a sustainable way alleviate the problems related to poverty."*

We learn that microcredit programs introduce a developmental approach to the delivery of community development services, which emphasizes the multi-dimensional and integrated nature of service delivery, as well as the achievement of economic justice, if used correctly. And, with a strong biblical emphasis, microcredit is an effective tool in building up a God-reliant church. Because of this, the researcher would strongly recommend that a microcredit program be instituted early on in any church planting effort to allow Christians to be firmly established economically. From the start, the emphasis should be on indigenous support of the church, its pastors, evangelists, and outreach, benevolence and building programs. If we visit an established work, great emphasis should be placed on teaching the proper biblical view of stewardship. In every place in which he has studied, the researcher found that there are like-minded nationals who are eager to "run with the vision."

We know that Westerners take easy bank credit for granted. They use it nearly every day of their lives. Therefore, it is not too difficult to imagine the hardships their brothers experience in places where credit is either not available, or comes with crippling usury. Therefore, it is easy to endorse the microcredit approach. In addition, it is gratifying to see how mission's dollars, invested in revolving microcredit, keep on working! This approach to help the poor not only produces wealth, but it generates tithes and offerings that promote self-supported and God-reliant congregations with longevity. The researcher trusts that the ideas and observations presented in this paper will inform many about what the poor can do for themselves. "With God all things are possible." Unfortunately, the local church has several features that make it a particularly bad institution for implementing microcredit initiatives.

1. Church-run microcredit programs usually cannot reach a sufficient scale to become financially self-sustaining, making them very prone to weak economic incentives for loan repayment.
2. Churches are typically not very adept at collecting loans, as the message of grace tends to undermine hard-nosed loan collection.
3. Churches usually have a reputation of giving handouts—e.g. clothes, closets or food pantries—and the culture of handouts undermines the discipline necessary for loan repayment.
4. Many churches regard their mission as purely spiritual, and that business and money matters are “worldly” endeavours. In principle, points numbers 2 to 4 can be overcome, but point number 1 cannot.

Fundamental to Christian development activity is the question of money, and how those who would follow Jesus Christ use it. In recent years, one of the more creative applications of money to needs in the developing world has been the establishment of various capital funds (alternative banks, if you will), from which those marginalized from established banking structures can borrow capital. While the activities of these micro-enterprise organizations have been widely applauded, even their existence raises questions of a biblical and theological nature. At the heart of such questions lie the ethics of lending and borrowing, a subject about which the Jewish and Christian scriptures have much to say.

4.7.1 Is Micro credit lending Christian?

The problem, as has long been recognized, is that the biblical teaching doesn’t fall into neat categories, and at the very least, requires the service of some interpretive principles. It is in this context that I submit the following remarks, specifically addressing questions of micro credit lending. Is micro credit lending Christian? The question may sound quaint in our own day, but we need only think back to Shakespeare’s *Merchant of Venice* to recall a day when such activities were seen as less than honourable activities for even the nominal Christian. Better to leave these kinds of things to an outside community, in this case the Jew Shylock, who had no scruples taking interest. Which leads to the point of the scruple: it was not simply lending, but taking interest, that attracted medieval Christian censure. Are not the Scriptures of the Old Testament perfectly clear on the matter? Compare, for example, Exodus 22:25; Leviticus 25:36 f., Deuteronomy 23:19 f., where usury, i.e., the lending at interest, is expressly forbidden, though it should be noted that each citation carries some qualifiers. For example, the Exodus passage limits taking usury from the poor, while the Deuteronomy passage forbids taking interest from 'your brother', but permits it from 'the stranger'. We shall examine these passages in more depth, but note at the outset that any restrictions in lending in legal texts relate to the exacting of interest, not the act of sharing. That this is a serious prohibition is re-enforced in Ezekiel 18:8,13, where exacting usury appears to be a capital offense, a point to which we must again return.

Beyond the question of interest, the wisdom tradition will add words of advice to the lender and the borrower, but this is of a different order. Back, however, to the point of the research: may a Christian be involved in the business of micro credit lending? If we go to the New Testament, especially the well-known parables in Matthew 25 and Luke 19, the tables appeared to be turned, and lending to gain interest is commended. How, then, does the faithful follower of Christ discern what is appropriate? While this research will, for the sake of space, concentrate on Old Testament texts, the approach will provide a basis for Christian reflection in light of the New Testament.

4.7.2 The question of hermeneutics and ethics

Two areas of the theological spectrum call for consideration here. First, each passage must be understood in its own context, using the accepted principles of exegesis and hermeneutics. In general, however, this kind of research bears fruit only in illuminating what the text 'meant' (a much-criticized distinction, but useful), i.e., letting the reader know how the text in question might have spoken to the original readers of the discussion. But such study can only set the stage for the debate.

Second, in the case of Old Testament texts, to say nothing of New Testament teaching, there are a range of further questions related to the broad field of ethics. The literature on the subject is understandably copious, not only because the subject we are considering seems to yield contrasting (if not contradictory) verses, but because biblical ethics has never been a matter of simply proof-texting, even when the exegesis is sound. As a preface to examining the texts, we do well to consider how ethicists have approached such evidence in recent debate. In a companion article within this issue of *Transformation* we have a survey of how New Testament ethicists might approach passages of both Old and New Testaments.

I must confess to standing more within the tradition represented, often associated with a Calvinistic model, in which common grace and special revelation are seen in continuity rather than contrast. As such, I would like to argue that the norms of biblical justice in the older testament must be seen as *already* incorporating, in clear, though admittedly seminal, form, the high standards of Christian ethics revealed in Jesus. I say 'seminal', inasmuch as these norms were formulated without benefit of the specific example of Jesus' self-giving at the cross. Equally, as 'B.C.' legislation, they can only anticipate the radical teaching of Jesus on the poor and their relation to the kingdom. It is certainly true that in the call to Christian discipleship, radical commitment to these *explicit* ideals is raised to a new height, but surely within Israel's covenant there is also a call to radical discipleship. Yahweh's call to Abraham to leave Ur of the Chaldees, to wander as a pilgrim in a land he would never fully possess, and to 'walk in the ways of the Lord, by doing justice and righteousness' (Gen. 18:19), so that the promise to Abraham might be fulfilled, was in essence no less radical than the more complete revelation we have in Christ. One need only contrast Israel's covenant with the life of the surrounding nations to conclude that Abraham's family was being set apart as both a redemptive and radical model, the purpose of which was nothing less than the restoration of the creation mandate given prior to the effects of our fore parents' sin in the Garden of Eden.

The reasearcher's approach, will be to attempt an understanding of the context of each of the passages in the Old Testament, primarily from legal and wisdom texts, that address questions of micro credit lending and borrowing, to the end that using standard grammatical-historical categories we might find biblical norms that reflect biblical justice and mercy, and thus inform us, as creatures, of God's ethical will. These norms, from the Old Testament, can be brought to the discussion of the same issues in light of New

Testament teaching, particularly but not exclusively the parables of Jesus. According to Barker (2006:34) staes that, the poor in turn, need to be seen in their own context, and the specific use Jesus made of these analogical stories, as well as his larger teaching on values that affect our approach to microcredit, whether as borrower, lender, or consumer.

When considering questions of micro credit lending and borrowing, it will be important to separate these contexts, Legal texts that regulate lending and borrowing. A cluster of texts in Exodus, Leviticus and Deuteronomy provide primary guidance to Israel on lending and borrowing. As with other ethical issues (e.g. the death penalty), a first reading is sometimes deceptive. On the surface, many of these texts appear to prohibit taking interest altogether. A closer reading, however, reveals a situation where lending and borrowing is understood as part of an agricultural, land-based economy, but where the unique situation of a covenant people calls for regulation of these activities in a manner consistent with Israel's mission to be a light to the nations. A consideration of some of the key passages will illustrate what I mean. (eg, Exodus 22:25-27; Leviticus 25:36-37; Deuteronomy 15:2;

CHAPTER FIVE

5.0 RESULTS AND ANALYSES

5.1 Method for data gathering

Our minor field study was conducted among the people in the area around Bauleni in the city of Lusaka. To increase the reader's understanding of the context, some general facts about the people who participated in the investigation will be presented briefly. The average number of children per family is more than four. The family with the largest number of children had 11. Most of the families that had up to two children were either quite young, not married or widowed. The average age of the persons was slightly higher for cycle 1 (34 years), than for cycles 2 and 3 (28 and 29 years respectively); 67% of the women were widows, 17% were not married, and the rest were married. The average literacy level among the interviewed people was 31%, which should be compared to 19% for the whole of Lusaka rural. Hence it seems that the clients are better educated than the average people in the city. Approximately 500 clients were in Lusaka; of these 50 belonged to cycle 1, 40 to cycle 2 and only 20 to cycle 3. Thus, the proportion investigated within each cycle was, respectively 39%, 50% and 100%. These figures are used to calculate the margin of error.

In order to fulfil the purpose of this study, the scientific method of an extensive interview study, referring to table 1 (Hulme, 1999:309) was chosen. This made it possible to draw statistically secure conclusions from the impact study. Thus, this research paper would be able to add something new to the field of microfinance. In order to obtain a deeper understanding of the changes and mechanisms behind the impacts, three qualitative, semi-structured interviews or, what table 1 refers to as "case studies," were also completed. The four persons were selected on the basis of the answers from the interviews of the first survey.[3] However, the scope of this research did not allow for any in-debt analyses. Instead, the findings were used to try to interpret the statistical data collected. By combining a scientific method with one of the methods used within the humanitarian tradition – case studies, the aim was to attain a trustworthy result.

[3] See appendix 2 for more details on this matter.

Structured interviews were held with 47 indigenous people from Bualeni, Lusaka rural. They were randomly selected by stratified sampling using a random number table; 20 clients from three different cycles were chosen. The researcher chose to take samples from only three strata of the whole population in order to convey something about each cycle, and also to ensure that he had a significant number of clients from both the completely new control group, and from longer-term borrowers. The three groups all had different lengths of time in the MCI, thus had taken different loan amounts; one, two and three times/cycles (henceforth to be called "cycles") respectively. A cycle from the beginning was one year but, for several reasons, CETZAM chose to change this into six months. This means that cycle 1 was in their first six months, just having received their first loan; cycle 2 were in their second year; and cycle 3 in their fifth.[4] To allow cycle 1 to act as the control group, made it possible to control for characters that might differ from the MCI persons from others in the village. Thus, it was assumed that the average (or median) level of the investigated aspects of people in cycle 1 is the same as it was at the start for those in cycles 3 and 2.

The clients did not speak English and, for this reason, the interviews were held by local people speaking their native tongue, Chewa. Since the questions were fairly simple, the idea was that this would take less time of the people. From consultation with other researchers in the field, it was clear that the presence of local people might skew the answers. Thus, having local people as the interviewers hopefully gave the researcher more truthful answers.[5] Before conducting the interviews, a couple of pilot studies were done in order to ascertain what questions functioned, after which only a few small changes were made.

Much time was spent on explaining the questions in the questionnaire to the interpreters. Together, they agreed upon a common translation.[6] The large majority of the interviews were conducted in the office, when people came to meetings to repay their money. Before all the interviews were completed, the researcher explained his

[4] The best situation would have been if the clients of cycle 1 would not yet have received their loans but, unfortunately, the researcher could not influence this, but still thinks that CETZAM has an impact in time.
[5] For further details, see appendix 2.
[6] For further details on this process, see appendix 3: About the interpreters.

purpose, saying that he was interested in seeing how the program worked for them and clearly expressed that their identities and answers would be read by nobody other than himself. The people were informed that it was voluntary to take part in the interview and that this would not in any way affect their participation in the credit program. One person refused to join the interview due to lack of time, a reaction that was expected, and the researcher was surprised that not more people reacted in that way.

Adding to the data received during the interviews, the figures were used that CETZAM had collected initially, when each person took a loan. These included some questions that were similar to ours, making a comparison at an individual level possible. Since cycle 3 had joined, some questions on their questionnaire had been changed, excluding the possibility of comparing some of the questions for clients in that cycle. When analysing the data statistically, some different methods were used. Briefly, cross tabulations as well as correlation matrixes were used in order to measure differences in the independent, dependent as well as the intervening variables between the cycles. Therefore, factor analyses were used to reduce the number of measurements of the intervening variables. A correlation analysis was used to determine the correlation between the dependent and the intervening variables. The methods will be described more thoroughly as they arise.

Now, the result and analysis of the collected data will be presented. First, the results of the dependent variable – economic capacity - are presented, after which an analysis of the findings will be done. The same order will be followed for the intervening variables. Only the data of relevance will be presented in tables, while others will be referred to only in the text. To complete the analysis, the statistical program SPSS, “Statistical Package for the Social Sciences” (the old name) or “SPSS inc” (the new name), is used. A significant level of 90% as the lowest will be used consistently through the statistical analysis.

5.2 The dependent variable - economic capacity

The data will be analysed so that, when there seems to be a correlation between two components, it will be controlled for the alternative explanation of human capital (obtained before joining). When nothing is noted, human capital had no impact on the correlation.

5.2.1 Physical economic capacity

As mentioned, the physical economic capacity consists of income, assets of the house, the construction of the house and access to land.

5.2.1.1 Income

At the outset, the difference in clients' income between the outset and today will be observed: first, the average income at the start and at the time of this investigation (henceforth referred to as "today") will be provided:

Table 5.1. Average income of the clients at start and at the time of the study /today.

Cycles	1	2	3
Average income of the clients at start and as of today	760,000-410,000	510,000-450,000	430,000-320,000

According to available data, clients of cycle 1 had a higher income when joining than both cycle 2 and 3. Cycle 3 had, by far, the lowest. This makes this data on physical economic capacity not very fruitful to compare over cycles; hence, the choice to examine only the individual differences and not compare the current cycles. In other words, in the ultimate case, there would be a higher increase of income among clients in cycle 3, than cycles 2 and 1. In order to do so, the proportional changes of all the clients' income were calculated, thus comparing their income at the start with the data of this investigation. The proportional changes were then divided into five change-groups. A high positive change represents a change that is 50% or more; a small positive income refers to a change larger than zero but less than 50%. The same patterns follow for negative changes. Furthermore, the average proportional change within each cycle was calculated. Table 5.2 presents the result, produced with the help of cross tabulation that indicates the number of clients and the percentage.

Table 5.2. Proportional changes of the clients' income

		Cycle 1	Cycle 2	Cycle 3
High positive change	Count	1	2	3
	Percentage in cycle	7%	14%	33%
Small positive change	Count	1	3	0
	Percentage in cycle	7%	21%	0%
No change	Count	1	1	0
	Percentage in cycle	7%	7%	0%
Small negative change	Count	4	4	2
	Percentage in cycle	29%	29%	22%
High negative change	Count	7	4	4
	Percentage in cycle	50%	29%	44%
Total answers		14	14	9
Missing		2	2	6
TOTAL NUMBER OF CLIENTS		16	16	15

First, the high number of missing answers in cycle 3 deserves comment. This is due to the fact that CETZAM changed its interview schedule somewhat for cycle 3, resulting in missing data on six clients' starting income. Despite this fact, nine clients for cycle 3 are enough to represent the small number of clients in this cycle, being 15 in total. This fact applies several times during the presentation of results. From table 5.1, an average decrease of proportional income for all three cycles can be observed. For cycle 1, in particular, it is surprising since the survey done by CETZAM (income at the start) took place only a couple of weeks prior to this study.

The proportion of clients with a high positive change is the highest for cycle 3, i.e. 20%. Observing the two upper income levels reveals that cycle 2 has the highest degree of positive changes, i.e. 32% of all clients. However, when running a cross-tabulation on the data in table 1, it shows no significant correlation between the cycle and the change of income. In order to be able to reveal other mechanisms, the differences in husbands' incomes first, and then of the whole household, were checked. The whole household is represented by the aggregate income from children, the husband and the client. But first, the husbands' change in income is presented in the following tables:

Table 5.3. The income of the husbands at the start and today.

Cycle	1	2	3
Husbands' average income at start and average income of today (difference)	1,760,000 to 1,850,000 (+90,000) *1,270,000 to 1,850,000*[7]	1,270,000 t0 1,340,000 (+70,000)	1,360,000 to 940,000 (-420,000)

Similar to the clients, the husbands in cycle 1 had the highest income, both at the start and today. Since joining, the average income has increased for cycle 2, cycle 1 is positive, while it has decreased for cycle 3. However, for cycle 1, it was discovered that one husband earned 1,000,000 Kwacha per week; this raised the average significantly. If his income is excluded, the average difference becomes negative. This is reflected in italics in the same box. The following table conducts the same calculations and divisions of proportional income change for the clients.

Table 5.4: The husbands' relative income difference divided into five income groups

		Cycle 1	Cycle 2	Cycle 3
High positive change	Count	1	3	0
	Percentage in cycle	7,1%	21,4%	0%
Small positive change	Count	3	4	1
	Percentage in cycle	21,4%	28,6%	16,7%
No change	Count	0	0	0
	Percentage in cycle	0%	0%	0%
Small negative change	Count	8	5	2
	Percentage in cycle	57,1%	35,7%	33,3%
High negative change	Count	2	2	3
	Percentage in cycle	14,3%	14,3%	50%
Total answers		14	14	14????
Missing		2	2	9
TOTAL NUMBER OF CLIENTS		16	16	15
Average relative income change		+3,2%	+35,7%	-37,7%

Table 5.4 reveals that 83% of the husbands in cycle 7 have decreased their income; 50% have decreased their income by more than 50%, and 33% by less than 50%; 17% have increased their income by less than 50%, and nobody has increased his income

[7] The accurate number, when the earning of one husband is excluded. This was done as he earned so much that the figure was changed from negative to positive.

with more than 50%, which must be regarded as quite an unsatisfactory result on the income development of cycle 3. For cycle 2, it is somewhat better, but not much. Half of the husbands have increased their income and half have decreased it. The majority have a small relative negative income change, being less than 50%. In cycle 1, 71% of the husbands have decreased their income, of which a majority reflect a small negative change. Again, this is curious, since it is quite unlikely that their income would change this much in such a short period of time.

On average, the total relative income change is calculated as the total percentage change of all clients in a cycle. In cycle 1 and 4, the husbands who had decreased their income had very large decreases. For this reason, the average is negative for the two first cycles. In order to see how the income of the whole household (including that of children) has changed the following tables are presented.

Table 5.5. The average income of the whole household at the start and as of today

Cycles	1	2	3
Average income of the whole household at start and as of today	2,690.000 to 2,390,000	1,890,000 to 1,830,000	1,840,000 to 1,560,000
Difference	300,000	60,000	280,000

As expected, the average level of income for the different cycles is similar to that of the clients and their husbands. Cycle 1 shows the largest income, and cycle 3 the lowest. The average income in each cycle has decreased. The following table presents the relative changes in income for each household.

Table 5.6. The whole household's relative income difference divided into five groups of change

		Cycle 1	Cycle 2	Cycle3
High positive change	Count	2	2	0
	Percentage in cycle	15.4%	16,7%	0%
Small positive change	Count	2	1	1
	Percentage in cycle	15,4%	8,3%	16,7%
No change	Count	0	1	0
	Percentage in cycle	0%	8,3%	0%
Small negative change	Count	6	6	2
	Percentage in cycle	46,2%	50%	33,3%

High negative change	Count	3	2	3
	Percentage in cycle	23,1%	16,7%	50%
Total answers		13	12	6
Missing		3	4	9
TOTAL NUMBER OF households		16	16	15
Average relative income change		-1,8%	3,2%	-41,8%

From table 5.6, one can tell that none of the cycles seem to have succeeded well in increasing their income. Cycle 1 has the highest number of households with a positive change of income, i.e. 31%. At the same time, however, more than 50% of the households have a negative change of income (69%). Cycle 2 has three households (25%) that increased their income, but a large majority decreased their weekly income. The story is similar for cycle 3. In the best case scenario, one would have expected the incomes of cycle 3 to increase the most but, instead, the result is quite the opposite. More than 80% of households in cycle 3 have increased their income. There is no correlation between time and household income.

5.2.1.2 Analysis of the results on income

Quite a large proportion of the clients in all cycles have decreased their income since their start in the MFI, especially for cycle 1, which is puzzling, since they recently answered the same questions. There are three main reasons. The first is connected to misunderstanding or unawareness of income. In the interviews done by CETZAM, the clients were asked their income on a *monthly* basis, while this study asked for the *weekly* income. Since very few of these people can neither read nor write, it is likely that they are either unaware that one month’s salary is four times as much as for one week, or that they simply do not calculate their income.

The second reason is of a more psychological character. The clients might have expected that “foreigners” (i.e. the researcher and colleague) would help them if they divulged how bad their situation was, hence understating their levels of income. This might have been the case for clients of other cycles as well, thus explaining the decrease in average income. At the same time, this explanation put overall doubts into this type of investigation, and stresses the risk of unreliable data. However, it is still possible that the answers are true, implying an unsatisfactory development of income.

That would argue for the third possible explanation: fluctuation of income. The women might have had a lower income at the time of this research's interviews.

As mentioned in the theoretical chapter, it is quite common that women give the loans to their husbands' businesses. By observing the husbands' income differences, one would expect that their income would increase instead of that of the clients. Judging by the changes in average income, it seems as though the husbands' income generation has developed somewhat more beneficially than the clients'. Thus, this suspicion cannot be excluded and is strengthened by the fact that one client explicitly told the researcher that her business had failed, because she had given the loan to her husband.

Finally, the investigation of income must conclude that there is no positive correlation between income and time in CETZAM. The income of the people in cycles 3 and 2 have improved significantly. This study's data rather suggests the opposite. The majority of clients, irrespectively of time in CETZAM, reported a decrease in income.

5.2.2 Assets in the house

As stated in earlier sections, the assets in the house have received a relative value, in accordance with the approximate value to obtain. A client who possesses all assets examined, receives the maximum value of 20.

A comparison of assets today and of assets when joining could not be made since initial data on cycle 3 was insufficient. This was due to the fact that CETZAM examined other assets in the early interview sheets. For cycle 2, however, it is noteworthy that there was a quite clear improvement of the assets from the start until today, both measuring the median and individual level. More than 56% (9 clients) of the people in cycle 2 have approved their assets, while somewhat less, 25%, in cycle 1. For both cycles, 44% revealed a decrease on the value of assets in the house since joining. While data on cycle 7 is missing, no correlation analysis has been completed and the data of assets in the house today for all cycles will not be presented.

5.2.3 Access to land

The following table presents the percentage of clients in each cycle who had initial access to land, as well as today. For all cycles, except for cycle 1, access to land has increased.

Cycle	1	2	3
Percentage with land at the start and today	56% to 50%	56% to 81%	20% to 67%

To draw conclusions from this, the individual relative change of access to land must be investigated further. The following table presents the data for change of access to land in the various cycles.

Table 5.7. Change on individual level of access to land

Cycle		Increase	Decrease	No change	Missing
1	% with cycle	12%	19%	69%	0%
	count	2	3	11	0
2	% with cycle	25%	0%	75%	0%
	count	4	0	12	0
3	% with cycle	20%	0%	40%	40%
	count	3	0	6	6

Four clients in cycle 2 managed to procure land, and a more careful examination of this data indicates that two of them simultaneously lost other assets, such as a television set and radio. It seems likely that they exchanged these for land. Cycle 3 shows no decrease and a 20% increase, represented by three persons who obtained land since joining CETZAM. However, the majority of clients in cycle 7 did not change their land holding. Again, the answers of cycle 1 changed remarkably since the last survey. Three persons lost land, and two acquired land during a very short period.

A correlation test reflects a positive correlation between land and time in the MFI, but it is very small (0,147) and the two-tailed significance test reflects a significant level of only 70%, which makes it hard to draw any statistical secure conclusions.

5.2.4 Construction of the house

Construction of the house is measured by giving different materials different values depending on the cost of obtaining them. Many clients seem to have improved their housing since joining CETZAM. As the following table illustrates, the average has increased significantly for all cycles.

Table 5.8. Construction of the house at the start and today

Cycle	Median/Average at start	Median/Average of today
1	1/1,8	4,5/3,3
2	1/1,9	5/4,1
3	2/2,6	5/4,4

For a more complete picture of the result on house construction, the proportional changes are presented below.

Table 5.9. Proportional change in house construction

Cycles	Changes of median/average	Increase	Decrease	No change	Missing data
1	+3,5/1,5	56,26%	6,25%	25%	12,5%
2	+4/2,2	75%	6,25%	18%	0%
3	+3/1,8	40%	0%	20%	40%

Clients in cycle 2 again reflect the best result; i.e. 75% of them have increased their housing. The average increased with a value of 2,2. However, this increase in cycle 2 is not significant (95% level). Clients in cycle 3 have also succeeded well: 40% have increased their living, and the average has increased with a value of 1,8. Noteworthy is that not one of the clients decreased their level of housing. The increase in the level of housing is significant at a 95% level.

Of the individuals in cycle 1, 56,26% have improved their housing, which again is a mystery, since it usually occurs over night. In a comparison between the three cycles, no clear correlation between improvement of house construction and time in CETZAM exists. The figures above do, however; show a positive result for approximately half of the clients, which must be considered as a quite satisfactory result.

Noteworthy is also the fact that today's house construction reflects a positive correlation with time in the MCI. The correlation coefficient is 0,264 and is significant at a 90% level - see appendix 5.

5.2.5 Analysis of assets, land and housing

The researcher's hypothesis for assets had no support. Access to land suggests a positive correlation with time in CETZAM, but with a low level of significance. On the other hand, construction of the house reveals more promising results. For assets, there was no significant correlation between time in the MCI and today's assets. Noteworthy, however, is that 56% of the people in cycle 2 improved their level of assets. There was a positive result (but with low significance) on access to land; time in CETZAM seems to affect many of the clients' access to land. Since the clients had obtained access to land to greater degree than other assets, the researcher's hypothesis of land being of extra importance is validated. House construction seems to be a favoured area for most clients, as about half of them have increased their house since joining CETZAM. Clients of cycle 3 who showed low performance on most factors measured so far, present quite a good result in housing. Possibly, clients in cycle 3 prioritized building a good house, thus explaining their low values in other measures. Again, it is also noteworthy that there is a statistically secured positive correlation between today's house construction and time in CETZAM.

These results prove that people in cycle 2 have the greatest improvement as regards assets, land and housing. The data of cycle 1 is somewhat perplexing considering that they had their first interview only a few weeks later. It is more likely that these people told the truth in the first interview, since the loan officer, at that time, actually visited their homes. Similar to the analysis on income, it is impossible to give a definite explanation. But, most likely, it is a combination of psychological factors during the interview, and that the questions might have been asked differed slightly from case to case. In difference in income, they now state they have improved certain aspects of their economic situation. It may be, compared to the interpreter who, in many cases, was slightly more well-off than the clients, that they felt that they did not want to seem too poor. But then again, this argument is counter to the one used to explain the expressed lower income. They did not choose to answer consistently “better” or consequently “worse” than in the first interview. Thus, it is impossible to conclude that they, in general, wanted to understate or exaggerate their answers in order to gain anything, as the psychological explanations suggested earlier.

The concluding result of land, assets and house construction does, to a certain extent, question the idea upon which microcredit depends, since these aspects do not seem to increase significantly with time in CETZAM. However, it is possible to explain this to a certain extent. Some important and interesting facts arose during the interview with the country co-ordinator, Sophy Wolters. According to her, cycle 3 had greater financial problems than the others. This was partly due to the fact that, to a large extent, they accepted the increase in the amount of their loan that was offered to all clients when making one repayment. Without really needing it for their businesses, the clients in cycle 3 seem to have accepted the higher loan. Instead, Wolters suspects that the clients might have used the money for consumption, resulting in problems to repay. Consequently, the income expressed in the interview lowers.

Added to this, clients in cycle 3 were CETZAM’s first clients, thus functioned somewhat as guinea-pigs. They had to endure many changes and adjustments of the organisation, as well as the rules for taking and repaying their loans. This probably affected their opinion of the MCI in a negative way - a fact that was supported by one of the qualitative interviews that the researcher undertook. This person expressed clearly: “I liked it better before!” To explain this, she expressed preferring taking loans with cycle 1. This person was the chairperson of cycle 3 and, according to Wolters (2010), she had a great impact on the others in her group.

Hence, keeping these facts in mind, the results might not seem as surprising as they did at first. These facts might also explain the overall quite negative outcome of cycle 3; consequently, also why people of cycle 2 often show higher success. Nevertheless, CETZAM probably needs to deal with the clients’ problems in cycle 3 stated above, in order to avoid indebted and unhappy clients. An analysis of all factors of physical economic capacity and the most likely explanation for this part of this study, the researcher suggests that the clients might have used their loans to improve their housing, as well as obtained access to land, to some extent. This would explain why their income has not improved as expected and desired.

The results could also be explained by a high degree of exchange of goods and services in Lusaka. Since the researcher's knowledge of the appearance of exchange in the community is very limited, this is simply speculation. He suggests that the clients might have invested the loans in the businesses, and that they turned out well, but did not result in a higher monetary income. Instead, it is possible that it resulted in an increased exchange of goods and services with others in the community. In that case, many seem to have exchanged goods and/or services from their own business for services, such as house construction and/or land access. Factors included in the psychological economic capacity, such as the quality of food and clothes, might also explain part of the physical economic capacity.

5.2.6 Physical economic capacity as one number

In order to obtain a value of the physical economic capacity, the change of each aspect was divided into five levels, numbered from one to five. Thereafter, these were aggregated and again divided into five levels. Thereby, by undertaking a cross tabulation, a five-level scale for each client was obtained, and the number and percentage within each level for each cycle could be calculated. In this calculation, each aspect received the same importance. The cross tabulation revealed no correlation whatsoever between physical economic capacity and duration of membership in CETZAM. The Pearson correlation coefficient was 0,00. Cycle 2 had 57% of its clients in the two upper levels, whereas cycle 3 had 33%, and cycle 1, 40%. Thus, again not too surprisingly, cycle 2 had the highest value. Since there was no correlation, there was no reason to do a partial correlation.

5.2.7 Psychological economic capacity

5.2.7.1 Change in quality of clothing and food since joining

The psychological economic capacity aims to identify how the clients perceive their economic situation, captured by three questions. The following table presents cross tabulation of the answers to the questions on clothes and food.

Table 5.9 The change of clothing and food that the clients have today, compared to before joining the Friendship Bridge

		Cycle 1			**Cycle 2**			**Cycle 3**		
		clothes	***food***	***total***	***clothes***	***food***	***total***	***clothes***	***food***	***total***
Better	count	2	4	6	9	9	18	6	3	9
	% within cycle	13%	25%	19%	60%	60%	60%	40%	20%	30%
Same	count	14	12	26	6	6	12	8	12	20
	% within cycle	87%	75%	81%	40%	40%	40%	53%	80%	67%
Worse	count	0	0	0	0	0	0	1	0	1
	% within cycle	0%	0%	0%	0%	0%	0%	7%	0%	3%
Missing	count	0	0	0	0	0	0	0	0	0
	% within cycle	0%	0%	0%	0%	0%	0%	0%	0%	0%

In order to calculate the changes for the different cycles, a coding system was created, where “better” was represented by 2, “the same” by 1, and “worse” by 0. Table 5.9 clearly proves that cycle 2 has the most satisfied clients in respect of food as well as clothes. The median of the different cycles also supports this observation. The median for cycle 2 was 2 (better) for clothes as well as for food, while for the other two cycles it was only 1 (the same).

Table 5.9 shows that the majority (60%) of clients in cycle 2 have better clothes and food today than they had before joining. In cycle 1, 25% say they have better food and 13% say that they have better clothes, despite the short time period since joining CETZAM. For cycle 3, where the clients have been members for considerably longer time than those in cycle 1, the situation does not look too promising; 40% and 20% report better clothes and better food respectively. One person even said her food was worse today compared to earlier. However, the majority state that their situation of food and clothes has not changed. Unlike cycle 1 and 2, they seem to have prioritized getting better clothes.

Thanks to the positive outcome for people in cycle 2, the cross-tabulation on clothes, however, shows a small positive correlation, 0,169, with a quite high significance, 0,057, thus significant at a 90% level. Therefore, it can be concluded that the quality of the clothes is affected by the time in CETZAM. On the other hand, for food the correlation is slightly negative -0.036, again with a high significance of 0,067, hence it is significant at a 90% level.

As mentioned, the psychological economic capacity also contains a measure of "the feeling of being able to lend money to a friend in a case of emergency," to which will now be turned. The researcher's idea was that this measure would be able to reveal the clients who are relatively affluent.

Table 5.10. The feeling of being able to lend money to a friend in case of emergency

	Cycle 1	**Cycle 2**	**Cycle 3**
No, I cannot	11	13	13
Neither yes nor no	0	0	0
Yes, I can	4	3	2
Median	2	2	1
Missing	1	0	0
Total	16	16	15

This data supports the idea that very few clients are rich enough to give loans to friends in need. Clients with the shortest time in CETZAM report the highest frequency of lending money. In cycle 1, four people say they could help a friend in need, while fewer (three) in cycle 2, and only two in cycle 3. The cross-tabulation revealed a negative correlation between time in the MCI and being able to lend money to a friend in need -0,136, but It was not significant.

5.2.7.2 Psychological economic capacity as one number

As with physical economic capacity, one number trying to grasp the whole psychological economic capacity was calculated. Since there were three answers that the client could choose from, the level of psychological economic capacity was divided into three. The cross tabulation shows that cycle 2 had 56% of its clients with the highest degree of psychological economic capacity, while cycle 3 had only 28%, and cycle 1 had 40%. This seems to correlate well with the calculated physical economic capacity, where cycle 2 also had the greatest achievement in many measured aspects. However, the data revealed a very small negative correlation (–0,058), which was not significant. The likelihood of rejecting the null hypothesis, which states that there is no correlation between time and psychological economic capacity, was 0,703. Had it been zero, would there have been a significant negative correlation? Hence, the high insignificance of the result. Therefore, the researcher cannot comment on the effect that the time in CETZAM has on the psychological economic capacity.

5.2.7.3 Analysis of the psychological economic capacity

For the quality of clothes and food, again the improvement for cycle 1 is inexplicable. Together with the fact that they might have used their money directly to buy better food and clothes, the proposed explanations above are also valid here. For the willingness to lend money to friends in need, the explanation of its high frequency might, however, have been that they were richest to start with, plus that they felt even more affluent since having received their first loan. The negative correlation between time and being able to lend money can probably also be explained by the fact that clients in cycle 1 had the highest absolute income at the start, cycle 2 the second highest, and cycle 3, the lowest.

For cycle 3, the facts that the in-country co-ordinator revealed are relevant, even in this case, which explained the rather low psychological economic capacity, resulting in lower values than for cycle 2. When this analysis is combined with the analysis on physical economic capacity, some new analyses can be made. The quite positive outcome on clothes might explain, to some extent, the negative development of income. As mentioned earlier, the clients might not be fully able to calculate their income. Thus, instead, they might have reported how much money remained after things like clothes were bought. The explanation referring to exchange of goods and services might also apply here.

5.3 The intervening variables

In order to make the data analysis comprehensible, the amount of data was reduced by using factor analyses for some of the intervening variables, which attempt to find underlying variables, or factors, that explain different patterns of variations within a set of variables. The computer program calls these common patterns "components." The analysis identifies a small number of factors that explain most of the variances observed in a much larger number of manifested variables. As an example, instead of using all responses to the "social capital questions," S1-S4, the analysis shows which questions explain most of the variations within certain correlations. However, it is important to note that, if the researcher does not see any theoretical connection between certain variables, it is better to use theoretical reasoning to consolidate the different variables. In the case of social capital, the factor analyses confirmed this study's theoretical interpretation. Thereby, the statistical analyses strengthened the researcher's theoretical reasoning.[8]

5.3.1 Results on political capacity

> *"People as political beings. He says they can only live, survive, and meet their essential needs if they accept that the community is finite. He was also right when he said; anyone wishing to amass individually the means of everlasting life by accumulating money will destroy not only the community, but also him/herself*." Duchrow (1995:51)

Duchrow (1995) calculates that what life achieves through the unlimited accumulation of wealth is not a moral category in the sense of modern abstract ethics, but an onto-logical, political category. It is believed that life can only be lived and maintained within the limitations of human community.

To be able to detect differences in the level of political capacity, a cross tabulation between cycles and political capacity was run.

Table 5.11. Levels of political capacity in different cycles

		Cycle 1	**Cycle 2**	**Cycle 3**
Low level	Count	2	7	3
	% within cycle	33,3%	87,5%	42,9%
Medium level	Count	4	1	1
	% within cycle	66,7%	12,5%	14,3%
	Count	0	0	3

[8] In Appendix 6, all the data from the analysis is gathered.

High level	% within cycle	0%	0%	42,9%
	count	6	8	7
Total	% within cycle	100%	100%	100%

Table 5.11 illustrates that only clients from cycle 3 can be found in the category of high political capacity. Despite the low number of valid responses, the significance is still surprisingly high. The significant level is 0,015, thus it is significant at the 95% level. It has been concluded that clients from cycle 3 are more likely to have high levels of political capacity, even if other clients had been interviewed.

Moreover, one can see that there are surprisingly different outcomes for cycles 1 and 2. Cycle 1 actually has a higher frequency of clients with a high level of political capacity than cycle 4. Thus, there is a curvilinear correlation. This means that two variables can be perfectly related even if they are not linear, which the significance of the table 5.7 suggests. There probably are many different explanations for the curvilinear correlation, which will be investigated further in the analysis.

5.3.2 Results on gender equality

Four questions concerned gender equality. To make the analysis easier, a factor analysis was run that helped a choice of two questions that, together, best explained the variation in the questions on gender. They are: “Whether to buy big items (such as animals, stoves, etc.) for your household or not” and “Whether your children should go to school or not.” Moreover, this selection was suitable for theoretical reasons, since these two questions manage to capture two different modes of decisions.

Cross-tabulations of each of these revealed that as much as 81% of people in cycle 1 decided together with their group members about whether to allow their children to go to school. For cycle 2, this number was 50%, and for cycle 3 it was 20%. The correlation coefficient –0,384 is significant at a 0,05 level (2-tailed).[9]

The result for the second question, regarding buying big items for the household, was similar. Cycle 1 again had the highest frequency of combined decisions; i.e. 70%. Now, however, cycle 3 had the second highest percentage, only slightly less than for cycle 1,

[9] See appendix 6.

i.e. 67% of the decisions were made together. In cycle 2, only 22% decided together whether to buy big items for the household. The correlation is negative, but highly insignificant.[10]

By running a bi-vitiate correlation analysis between the total gender equality and cycles, a negative correlation at –0,159 was found, not too surprising judging from the numbers above. However, it is not significant with only a 54% level. This result, however, signals a case where the correlation between duration and empowerment is negative.

5.3.3 Results on human capital

The human capital was represented by two questions. The first captures whether the client knows where to find information regarding business (H3), and the second, whether the client had given someone advice about their business (H4). In the analysis, these two questions are combined by aggregating the data and then the data was divided into three groups. Cross-tabulation resulted in the following table:

Table 5.12. Total human capital (H3+H4)

	Count	**Cycle 1**	**Cycle 2**	**Cycle 3**
Low level	% within cycle/count????	5	5	9
	% within cycle	36%	33%	60%
Medium level	count	4	1	1
	% within cycle	29%	7%	7%
High level	count	5	9	5
	% within cycle	36%	60%	33%
Total	count	14	15	15
	% within cycle	100%	100%	100%

As in many other measures, cycle 2 has the greatest human capital obtained through membership in CETZAM. Clients of cycle 3 possess the lowest level of human capital of all the cycles despite its longest membership. The majority (60%) of clients in cycle 3 have a low level of human capital. The correlation is slightly negative, –0,121, with a significance of 0,174. It is thus not significant at a 90% level. This suggests that there is neither a support of the stated hypothesis, nor the opposite.

[10] See appendix 6.

5.3.4 Results on social capital

Even though the factor analysis done on social capital confirmed the researcher's own theoretical interpretation, he found it relevant to present all the answers on social capital. Thus, a factor analysis is not done here.

Table 5.13. The bridging capital

	S1- Participation in other groups (excluding CETZAM)				**S2 Trust in people in the village**				
Cycle	**Yes**	**No**	**Missing**	**Margin of error[11] for Yes**	**Yes**	**Yes somewhat**	**No**	**Missing**	**Margin of error for yes**
1	25%	68%	6,3%	+-13,9%	50%	25%	25%	0%	+-16,1%
2	63%	31%	6,3%	+-14,0%	56.3%	18%	25%	0%	+-14,5%
3	47%	53,3%	0%	0%	60%	20%	20%	0%	0%

According to table 5.13, there is a slight positive correlation between time and S1 (correlation coefficient 0,13). Clients in cycle 2 have the highest frequency of women who participate in groups other than CETZAM: 63%; somewhat less in cycle 3: 47%; and in cycle 1: only 25%. The margin of error reveals that confidence intervals do not overlap, thus there is a 90% probability that clients of cycles 2 and 3 have a higher degree of participation in groups other than CETZAM than the new clients in cycle 1. Furthermore, clients of cycle 2 will have a higher value on S1 than clients in cycle 3. Trust in people in the village (S2) has also increased slightly over time. The size of standard error, however, reveals that the increase is not significant, thus any conclusion of trust in people of the village increasing over time cannot be drawn. In total, it seems as though there might be a correlation between time and social capital. For this reason an analysis of the aggregate data will be completed.

Table 5.14. The aggregated bridging social capital.

<table>
<tr><th colspan="2"></th><th>No+no
(0)</th><th>No +somewhat (1)</th><th>No + Yes (2)</th><th>Yes + somewhat (3)</th><th>Yes +Yes (4)</th><th>Total</th><th>Average</th></tr>
<tr><td rowspan="2">Cycle 1</td><td>Number</td><td>2</td><td>2</td><td>10</td><td>2</td><td>0</td><td>16</td><td>1,75</td></tr>
<tr><td>% in cycle</td><td>12,5%</td><td>12,5%</td><td>62,5%</td><td>12,5%</td><td>0%</td><td>100%</td><td></td></tr>
</table>

[11] See appendix 6: Formula of standard error calculation.

Cycle 2	Number	2	1	5	2	6	16	2,56
	% in cycle	12,5%	6,3%	31,3%	12,5%	37,5%	100%	
Cycle 3	Number	0	2	9	1	3	15	2,33
	% in cycle	0%	13,3%	60%	6,7%	20%	100%	

Aggregating the answers on S1 and S2, done in table 5.14, illustrates a trend of increasing bridging social capital with time, with a quite small correlation coefficient of 0,16; 37,5% of their clients gave positive answers to both questions. Slightly less for cycle 3: 20% of the clients; and in cycle 1: zero. Thus, again similar to many other measures, clients of cycle 2 reported the highest values, illustrated also by the highest average of 2,56. Clients in cycle 3 have an average of 2,33, while cycle 1 has only 1,75. An uncertain correlation between bridging social capital and time is expected, but this result suggests a slight increase. The answers “yes + yes” reflect a significant increase: a 90% level.

Table 5.15. The bonding social capital

	S3 – Trust in group of 5 (loan group)				**S4 – Worry that others in the group of 5 repay**			
Cycle	**Yes**	**Yes somewhat**	**No**	**Missing**	**Yes**	**Yes somewhat**	**No**	**Missing**
1	87,5%	6,3%	6,3%	0%	100%	0%	0%	0%
2	81,3%	12,5%	6,3%	0%	100%	0%	0%	0%
3	80%	13,3%	6,7%	0%	80%	6,7%	13,3%	0%

Here, table 5.14 reveals an unexpected decrease over time of trust in the group of five (S3). This, however, is not significant since the confidence intervals overlap. S4 reflects a slight increase that is significant. By adding the two aspects’ results is an interesting finding. The large majority say that they trust their group of five but, at the same time, almost all worry about their repayment. Aggregating S3 and S4 results in a slight negative correlation with time, which is not significant. In summary, the data on bridging social capital does not support the researcher’s hypothesis

5.3.5 Analysis of the intervening variables

After presenting the results on the intervening variables, it is now time for an analysis that attempts to explain the results. First, there might be several reasons for a curvilinear correlation between duration of the MCI membership and political capacity. But, one fact that might explain the low level of political capacity for cycle 2 is that they also have very low levels of education and bonding social capital. While literature, such as Putnam (1995), supports the fact that especially social capital, but also education, is important for political activity, which might be part of the explanation.

The researcher's hypothesis did not apply to gender equality. There was no correlation between gender equality and duration in the MCI. Since there is nothing to analyse, gender equality will not be dealt with further. The human capital is highest for clients in cycle 2, suggesting no correlation between time in the MCI and human capital. This is somewhat surprising, since CETZAM have had many education meetings with the clients, and clients of cycle 3 have attended the most meetings. This might be explained by some of the issues referred to earlier, as revealed by the in-country co-ordinator, Sophy Wolters. For social capital, both the bonding aspects fulfilled the researcher's hypothesis, while bridging did not. This is not too surprising. Being a member of a small group does not automatically influence the trust towards other people in the community. It has, however, increased the reliance within the group (bonding), which might have several positive side-effects.

5.4 The alternative explanation

Since the alternative explanation of human capital at the start has been controlled in all cases needed above (finding no impact by human capital), this chapter will present only the data on today's human capital. Human capital is represented by the two questions: "What level of education do you have?" and "Do you know how to read and/or write?" Not surprisingly, these two correlate almost totally with each other. Today, there are three clients who have attended first level of school but cannot read or write, and one who can read and write without having gone to school. However, of greatest importance is whether they can read and/or write. Therefore, all conclusions on human capital will be drawn from that question.

Table 5.16. The literacy level, answering the question "Can you read and/or write?"

Cycle	Yes	No
1	37,5%	62,5%
2	18,8%	81,3%
3	33,3%	66,7%

Table 5.16 indicates that cycle 1 has the highest educational level, with 38% of the clients being able to read and/or write, while only 19% of clients in cycle 4 can do so.

5.4.1 Analysis of the alternative explanation

Having concluded earlier that cycle 2 has the highest result in many of the measured aspects, it is surprising that they have the lowest level of education. Thus, literacy does not seem to be of any major importance to the aspects, as cycle 2 has shown the greatest achievement. Moreover, it is interesting to observe that, while clients in cycle 2 have the lowest literacy level, they seem to have received the most positive impact of education within CETZAM. The reason for this would be purely speculative, thus the researcher will desist from doing so.

5.5 The final control of CETZAM's achievement

Finally, the clients were asked how they felt in their households today, compared to before joining CETZAM. This question functions as an overall measure of how the situation of the clients has changed since joining CETZAM. Certainly, their answer on this question could refer to a number of different aspects and, since the questionnaire is linked to their judgments related to CETZAM, this question will be regarded as their grade of CETZAM's success. Table 5.16 demonstrates the result.

Table 5.17. The feeling in the household, compared to before joining.

Cycle	Better	Worse	The same	Missing
1	63%	6%	31%	0%
2	81%	0%	13%	6%
3	47%	0%	47%	6%

Equivalent to many other aspects, clients of cycle 2 are most satisfied. In cycle 3, the number of satisfied are identical to the number of non-affected clients. Clients of cycle 3 reflect the least proportion of satisfied clients, while cycle 2 has by far the highest proportion of satisfied clients. There is no correlation between time in CETZAM and the clients' perceived feeling in the house. In cycle 1, one client feels worse, but an explanation is lacking. That such a large number of clients in cycle 1 feel better so quickly, having just joined, probably supports this study's earlier argument that psychological economic capacity might increase only with access to a loan. An increase of the physical economic capacity is unlikely to have occurred that rapidly due to the loan. What probably also plays a role here in explaining the answers of cycle 3, is again the facts mentioned by the in-country co-ordinator (Wolters, 2003). Another important aspect that must be taken into consideration, judging the total outcome of this impact study, is the exclusion of drop-outs from the analysis. This impairs the total calculated outcome.

5.6 Correlation analyses

Most of the data collected is of an ordinal scale, for which correlation analysis is suitable. This chapter will provide a check whether there is any correlation between this study's dependent variables, economic capacity and its other four aspects of the people's situation. The researcher will only do the correlation analysis on the data from his own study. In order to reduce the amount of data in the analysis, a factor analysis of social capital has been completed (and also of gender equality, done earlier). Thereby, the two most important components, thus the ones capturing most of the variance in social capital, have been singled out. These components were well suited for the division into bridging and bonding social capital, made earlier. The two questions singled out were: "Generally, do you trust the people in your village?" representing bridging social capital, and: "Are you worried that people in the group of five might not repay their loans?" representing bonding social capital. To the latter questions, all clients except three answered "yes" (all from cycle 7). To make a correlation analysis on the data that differs for only three clients, it was found questionable why the choice was made to exclude bonding social capital. In the analysis, each question of the economic capacity variable was tested against the intervening variables.

5.6.1 Hypothesis of the link between the dependent and the intervening variables

The hypothesis of this research is that an increase of economic capacity might occur both directly by the access to a loan, but also through changes in the other four variables, this study's suggested intervening variables. The direction of causation is impossible to tell. The analysis will only speculate on this matter. The variables most likely correlate both ways, suggesting that there is no blueprint explanation for the causation. The linkage between them has already been discussed in earlier chapters, and will not be repeated.

5.6.2 Result and analysis of the correlation analysis

Overall, the support of the researcher's hypothesis was weak. For all aspects with a correlation (and significant level of at least 90%), the alternative explanation of human capital was tested via a partial correlation test. In no case, however, has it changed the correlation significantly, thus the level of human capital explains little of the correlation between the intervening variables and economic capacity. Income, house construction, and quality of food, had no correlation with any of the intervening variables.

Table 5.18. Summary of the significant correlations. The numbers illustrate the correlation coefficient. Empty boxes illustrate no significant correlation.

Intervening variables / **Economic capacity**	**Human capital**	**Gender equality (to buy large items)**	**Political capacity**	**Bridging social Capital (trust in people of the village)**
Assets in the house	-0,272*	-0,450**		
Land access		-0,447**	-0,419*	
The quality of clothes				+0,325**
Lending money to a friend in need			+0,375*	

* Significant at 90%. ** Significant at 96%.

Assets in the house correlated with two of the intervening variables; the total human capital and the gender equality question regarding the purchase of items for the house. There was a negative correlation coefficient for the aggregated human capital, -0,272 with a significance level of 0,069. This means that a high level of assets is likely to correspond with a low human capital, thus they affect each other negatively. This finding is the total opposite of the researcher's hypothesis; he finds no logical explanation for this occurrence. The correlation between gender equality and assets is –0,450 with a significance level of 0,024. To a certainty of 97,6%, gender equality (purchase of large items for the house) influences the value of assets negatively, and vice versa. When there is a low level of gender equality, it is mainly the men who decide on their own. Therefore, the only explanation to be found is that, when men decide to a large extent, they buy more assets for the house. This implies that the men prefer to buy assets more than the women, or at least more than what they would have done when making combined decisions. However, to continue this investigation on mechanisms is beyond the scope of this study.

Land access correlates also with the gender equality question on purchases, as well as with political capacity. When the household possesses a high gender equality (regarding what large items are bought for the household), the access to land is likely to be low or vice versa, low gender equality is likely to correspond with high access to land. The correlation coefficient is –0,447 with a significance of 0,025. The connection seems quite obvious and might be similar to the explanation given above. If the men decide more about what to buy for the house, they get access to land. What mechanism causes this to occur, is unclear. Even political capacity has a negative impact on access to land according to this correlation analysis. The correlation coefficient is –0,419 and the significance 0,066. Tendency to become politically active is larger among clients who do not have access to land. This might insinuate that the willingness to become politically active is higher when you lack access to land. It is possible that landlessness triggers political activity. This was not argued as a hypothesis for this thesis, but still is an interesting finding.

The quality of clothes had a positive correlation with bridging capital. For bridging, the correlation was 0,325, and significance 0,028. To have a large bridging social capital is likely to correspond with an improvement in the quality of clothes. Regarding the quality of clothes as a sign of the economic situation, this result suggests that having trust in people in the village corresponds with a good economic situation. The researcher's hypothesis on this correlation was uncertain, for which reason it can be neither supported nor rejected.

There was a positive correlation of 0,375 between helping a friend in need with a loan and political capacity. It was significant at a 90% level (0,103). It supports this study's hypothesis of economic capacity and political capacity correlating, supported by Verba

(1995). In summary, the majority of aspects of economic capacity did not correlate with the intervening variables. However, there were some interesting significant correlations. Despite this, the researcher would not suggest any general support of his hypothesis.

A microcredit program usually needs about five thousand clients or more to become sustainable, depending on the context. The typical church or ministry does not have the capacity to implement a large-scale, high-accountability organization of this size.

5.6.3 Appropriate Micro credit Strategies for the Church

So what is the solution? What can the local church do in the areas of Micro credit? Although some business centres heavily discourages churches or small, Para-church ministries from setting up microcredit lending programs, we believe—and our experience confirms—that churches can use one or all of the following strategies:

Strategy 1: The church can promote user-owned and managed savings and credit groups. In this strategy the local church helps the poor to save and lend their own resources to one another. The church never handles the money, and the church does not run the group. The loan capital comes from the savings of the poor themselves. Contrary to what we might think, the poor can and do save.

Strategy 2: The local church can partner with financially sustainable Microfinance Institutions (MFIs) that exist in various regions. As the sizes of the poor people's micro businesses expand, larger loans are sometimes needed than can be generated by the savings and credit groups mentioned in the previous paragraph. The good news is that there are often Christian relief and development agencies operating MFIs in the same region in which a local church or denomination ministers. The church can partner with the MFI, the church providing evangelism, discipleship, and other services to the poor while the MFI does all the very hard work of lending and collecting the loans.

Strategy 3: The local church can provide small business training to the low-income entrepreneurs. Most big large-scale, sustainable MFIs do not have the time to do this.

They just lend money and collect it back again on their quest to achieve financial sustainability. According Karel Th. August .2010:12 says

> *“Sustainability deals with the continuous flow of benefits. This ongoing flow of benefits or resources is a restricted process especially in terms of the degradation of development ecological and environmental resources. In other words, the general requirement for sustainability as a vector of development is that it be non-decreasing over time. He goes on to mention that sustainable development must be based on the beneficial attainment of access to resources and the mobilisation of resources by the poor in order to address their development needs.”*

I believe that churches can complement the MFI’s loan services by providing a strategy of small business training to enable the low-income entrepreneurs’ to grow their businesses.

CHAPTER 6

DISCUSSIONS AND CONCLUSION

This research highlighted the advantages offered by microcredit compared to material aid to deal with the hardships of poverty. The assumption is that the actions taken by churches concerning community development presents positive signals for changing mindsets towards new ways of helping poor people and needy community. The research also attempted to show microcredit as an approach in community development participants need to follow in order to become significant players in the transformation process in Zambia.

Furthermore, from the meaningful interviews, two people are cited to illustrate two common views on CETZAM's microcredit:

> *"I worry a lot that the other four in my group will not repay. If they do not repay, I have to pay all that money which I do not have."*
>
> *"I am very happy to have joined CETZAM. Since doing so my income has increased much. Now I have money to pay school material for my children…. I am sure that, in the future, I will earn even more money."*

The majority of the people whom the researcher met during this study expressed their happiness about the possibility of taking loans. The researcher would argue that, as such, this is a positive contribution by CETZAM. Adding to this, a majority of the clients stated that they felt better in their homes today than they did before joining. However, this general positive view does not coincide fully with the results of this study. In time, the loans increase neither their economic capacity (except the house construction), nor their food quality, gender equality or human capital. In addition, as illustrated in the citation above, all the people were worried that the others in their group would not repay. In cycle 3, clients seemed to risk putting themselves in indebted situations by increasing the amount of the loan without needing the money for their businesses. All in all, these aspects should serve as a warning.

Clients of cycle 2 had the best outcome in most variables of economic capacity; house construction, access to land, quality of clothes and food. Why clients who took a loan over the longest time (cycle 3) do not show such a good record is probably, to a large extent, explained by the reasons raised by the co-ordinator, Sophy Walter. Thus, the researcher's data suggests a curvilinear relation between the economic capacity and time. This implies that the first years of taking a loan contribute to a larger improvement than the later years. Why the clients of cycle 2 have a better economic situation today than clients of cycle 3, could be explained by CETZAM probably having searched for the poorest clients first (cycle 3) and, thereafter, the group of clients became less and less poor, on average. This study's data on income at the onset supports this explanation. This could explain this study's results to a large extent.

Only judging from this research's collected data and analysis, quite a number of variables suggest an improvement in the situation of the people in CETZAM over time. Compared over time on an individual level:

- Construction of the house, compared between cycles at the time of the study:
- The quality of the clothes
- Political capacity

These are aspects of outmost importance in all developmental work. Thus, although workers are few; their contribution should be gratefully appreciated. The researcher's hypothesis of the intervening variables correlating with economic capacity was not fully supported. The correlations showing a positive result (hence fulfilling his expected outcome) were:

- The quality of the clothes – bridging social capital
- Being able to lend money to a friend in need – political capacity

The direction of causation is impossible to tell, but most likely the aspects influence each other. Since a good economic situation (measured by ability to lend money) correlates positively with political capacity, which also correlates positively with time, it is likely that, in some time, the recorded political capacity will contribute to an overall increase in economic capacity.

Completing a study like this without being present at most of the interviews, makes it very difficult to validate the reliability of the data collected. This is always a complex issue, and these aspects make it even more difficult. The researcher began to suspect that something was wrong when completely new clients (cycle 1, the control group) reported a large decrease of income in only a few weeks' time. There could be many explanations for this. The psychological explanation of expecting help from the researcher when understating their economic situation is one. Another could be misunderstanding or being unaware of income, or that their income fluctuates greatly. The clients' degree of understating, lying or exaggeration is impossible to tell. In general, however, these aspects allow the researcher to conclude that a true picture of the impact on the poor will be gained only by a combination of an extensive, structured interview study and in-depth interviews. This will demand more time and financial resources from the microcredit institution but, in the long run, the researcher is sure it will pay.

When completing an impact study, as well as when determining an MCI's activity, it is important to be aware of its moral power, i.e. how it influences the community of borrowers. By stating what it is allowed and what it is not allowed to do, has considerable power. Thus, to be culturally sensitive is of great importance. By "culturally sensitive," is meant that socio-cultural aspects must be thoroughly considered. Where it operates, the activity needs to avoid a conflict with the culture's values, attitudes and customs. A genuine interest and sensitiveness towards the cultural context will improve the likelihood to achieve this.

In a study such as this, there are several risks related to cultural differences. It is likely that several of this study's questions were not the most suitable to capture the intended variables. For better and more reliable impact studies, local people from the same cultural context should be involved in both construction and performance of the study. This will probably minimizes the risks of misunderstanding, misinterpretation and misjudging, and will possibly greatly improve the quality of the questions.

As with most things, microcredit activities have both advantages and drawbacks. Most problems do not have single simple solutions; at the least, not issues regarding poverty. All measures taken must be carefully considered and adapted to the specific context – social, historical, cultural, economic and environmental. In some contexts, microcredit works, in others it might not. At first glance, the business of microfinance seems like an effective universal way to help the poor to improve their situation with numerous positive side-effects in addition to an increased economic capacity. An increased income affords people the capacity to change their situation in a way that they themselves prefer, a way that, not to any great extent, the loan-giver steers. However, there are also important drawbacks and risks attached to its activities. One obvious risk is that the poor become debt-burdened.

When discussing microcredit, another important issue is the trade-off between reaching the poorest and being financially self-sufficient. It is often argued that microcredit institutions must be financially self-sufficient in order to have the great scale and outreach that is needed. And, in order to be financially sufficient, they need to target only the economically active poor, who are usually not the poorest of the poor. This is based on the idea that, if a client is not economically active, he/she will not be able to increase the sum of money adequately to pay the interest that is needed to run the microcredit institution – which means that he/she will end up with a burden of debt. Consequently, in most cases, microcredit does not reach the poorest.

When highlighting microcredit as a poverty reduction tool, it is important to take this trade-off into consideration. In the researcher’s view, the discussion is based on the discrepancy between whether microcredit should be regarded as a development support activity, or as any commercial business that does not need external money. This is a difficult and complex issue. To a certain extent, this research supports both opinions. For several reasons, equality/distributional aspects are the most important. In the researcher’s opinion, in any society, money should be transferred from the rich to the poor, which implies support of the development aid view. However, he stresses the need of it to be done in a sustainable manner. Thus, when development support stops, there must be enough knowledge and resources built into the activity so that it survives on its own. So, at least to start with, the construction of an MCI should get financial support from the outside but, to avoid aid-dependency, it is possible that it needs to be financially self-sufficient in the long run; thus only, or mainly, reaching the economically active poor. Those working with development assistance must, however, be aware of the fact that microcredit will not help the most vulnerable; instead they need to be targeted with other measures and probably need to be reached by subsidized poverty alleviation programs.

In summary, this can be achieved by harnesing resources, including the belief in most churches. Churches in Zambia face the inescapable responsibility and challenges to undertake substantive and sustainable community development programmes. Furthermore, the role of theology in community development and in microcredit formation was looked at. The formation of microcredit as a development strategy offers the church an opportunity to engage with government and become a strong partner in developmental issues. The reasearch also attempts to create space and opportunities for engagement and participantion.The development of microcredit strategies opens new doors for church to become strong partners in working towards achieving the vision of a developmental state.

In order to achieve this, theology itself needs to consider the formation of microcredit as an important work approach. The building of networks across denominational boundaries is a way in which microcredit can be developed. This does not imply that the various churches and denominations have to abandon their respective religious principles. What is hope for is that the common concern religious groups have for the plight of the poor people, the vulnerable and the marginalised in community could lead to co-operative relationships where those who are disempowered are helped to improve their living conditions. The trust that already exsists among people with religious affiliation provides the theology with access to community based networks that the government often does not have. Therefore, theology can become an intermediary between government and communities.

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Appendix 1: The millennium development goals

1. Reducing poverty and hunger by half by 2015
2. Ensuring all children complete primary education in 2015
3. Increasing gender equality and empowering women
4. Reducing child mortality by two-thirds by 2015
5. Reducing maternal mortality by three-quarters by 2015
6. Stemming the spread of HIV/AIDS, malaria and other diseases by 2015
7. Ensuring environmental sustainability by 2015
8. Developing a global partnership for development

(www.milleniummalen.se, 2004-06-11)

Appendix 2: The oral introduction to the interviews

This appendix includes the oral introduction that Zulu and the researcher presented for the women before starting the interviews. Our English was translated into the local language, Bemba. Much thinking and arguments preceded this text; space is too limited to express all these. However, one aspect is of relevance to the reader, i.e. that of making ourselves understandable to the interviewed women, who have very little education, and are thus not aware of the world's map and have even less education to grasp the purpose of our theses. Hence, the following text might, at first glance, seem basic and sometimes not satisfactory, but keeping the context in mind should help the reader to understand the motivation behind what is expressed below.

"Hello, our names are Phiri and Zulu. We come from the University of Stellenbosch in South Africa. We are here because we are interested to hear what you think of Christian Enterprise Trust in Zambia. We are doing a study with Christian Enterprise Trust in Zambia. The study is part of our Stellenbosch University studies. We are here because we are very interested in credits for women; in future, we hope to work with this. Before we start the work, we would like to know more about how it works for you, if the project helps people, or if it does not help anybody.

For this reason, we hope that you have a little time to answer our questions. It will take about 30 minutes. Lastly, we want to say that we are not part of Christian Enterprise Trust in Zambia, and that all your answers will not, in any way, effect your participation in the program. Your names and identities will be kept completely secret."

Appendix 3: About the interpreters

The interpreters were found in various ways. About half of them, four, were employees in government schools. Three were students in their ninth year of school. Via a woman at the United Church of Zambia, we managed to find another three. They all spoke good English and could read and write. It was difficult to get a full document with the questions translated to schools. I did, however, allow the women to sit in groups to write the questions in their languages and then went through them together. The researcher spent half a day going through the interview questions with the women and gave them much time to discuss the questions among themselves. The importance of the women's interpretation of the questions in the same manner cannot be exaggerated. Our purpose of the study was explained to them, and the different meanings of the questions and certain expressions were also explained to them. The communication seemed to go well, although it is impossible to be absolutely certain that all of them understood everything.

The large majority of the interviews were done in the office of Christian Enterprise Trust in Zambia. In some cases, however, the women did not show up at the meeting, so a few interviews had to be held in the clients' homes. It was almost impossible for me to attend these interviews. It became obvious that it would be very wrong for me not to be present, although they were aware of us not understanding their answers. From what we could gather, our presence did not, to any great extent, affect their answers. Our interpreters were of the same opinion. The bias we noticed was that it might have led to the women to talk a bit more, while explaining their ideas of CETZAM and of their situation.

Unfortunately, in three interviews in the women's homes, their husbands demanded to be present. These interviews excluded the gender equality data. After all the interviews, we also held short interviews with the interpreters. One of them stated that she thought the women might be worried that some other women overheard their answers, and therefore might not answer as openly. This occurred despite our attempt to put them far apart. Since the questions were quite basic, the researcher believes this was not a great problem that would affect the outcome of the impact study to any great degree.

Appendix 4: The choice of women for qualitative interviews

The women for the in-depth interviews were chosen according to the different characteristics of the cycles. Cycle 4 expressed more positively how their economic situation and their situation in their homes had changed since joining. In addition, since joining, they enjoyed a larger increase in income than the clients of cycle 7. This made me choose to talk to a woman in cycle 4, the representative of her group and who also, according to our interviewer, talked very openly about her situation. There was also one client who gave a surprisingly low income compared to her assets, hence my decision to interview her. Since it is the most interesting to talk to women with a long experience in the microfinance institution, the researcher also chose to interview two women in group 7 – one with a positive experience, and one with a slightly more negative experience, compared to the first interviews. I tried to choose women who all had quite a representative situation according to family size, marital status and house construction.

Appendix 5. The questionnaire

Name of the client:	**Date:**
I.D. number of the client:	
Group:	**Name of the interviewer:**

(After an introduction in group)

So, do you have any other questions before we begin with the questionnaire? If you want to, please feel free to ask me anything during the interview.

Part 1: Background and economic capacity

To begin with, I would like to ask you some things regarding your household and your economic situation. And once again, I want to remind you that everything you say will be kept secret and impossible to trace back to you. Therefore, I hope you will feel comfortable to tell me the truth.

B 1. How many children do you have? □None □ How many: ______

B 2. What is your marital status?

□ Married □ .Separated □ Single □ Living together with someone □ Widow □

E 1. Which of the following things do you have in your household?

□ Kitchen □ Electric light □ Radio □ Small animals (such as chickens, rabbits) □ Latrine

□ Stove □ Tele □ Big animals (such as pigs, cows) □ Drinkable water □ Fridge

E 2. What is your house made of?

□ Small stone □ Sugar canes □ Blocks □ Wood □ Two storeys □ Other

E 3. How much do you earn per week? ZMK __________________

E 4. Do you gain money in any other form?

□ No □ Yes. How? 1. _____________________

2. _____________________

3. ____________________

If the client *is married/living together with someone:*

E 5. How much does your husband/or partner earn per week? ZMK _________________

If the client has children:

E 6. How much do the children, who live at home, earn per week? ZMK _______________

E 7. Do you receive any money from relatives abroad?

□ No nothing □ Yes. How much? ZMK ___________ per week.

E 8. If a friend of yours needs some money, would you be able to help her out?

□ Yes I could □ Neither yes nor no □ No I couldn't □ Don't know

E 9. How are the clothes that you buy today compared to before you joined CETZAM?

□ Better □ The same □ Worse □ Don't know

E 10. How is the food that you buy today compared to before you joined CETZAM?

□ Better □ The same □ Worse □ Don't know

E 11. During the last months, have you saved money anywhere else other than at CETZAM?

□ Yes □ No

E 12. Have you borrowed money from anywhere else other than CETZAM?

□ Yes □ No

Part 3: Political capacity

Now I would like to talk to you about other things… Sometimes people and villages have problems that they don't know how to solve.

P 1. Can you think of any problem in your village that you think you could solve together as a group in your village? If so, could you tell me? □ No □ Yes. For example:...............................

(If the client says "no": I am thinking of problems such as access to drinkable water or waste management.) Some people try to solve these problems by discussing them with their friends or relatives.

P 2. How about you, have you discussed such communal problems with somebody you know (such as clients of CETZAM, relatives or close family)?

□ No, I have not □ No

□Yes I have Can you imagine doing it in the future (as well)? □ Yes

□ I don't know □ I don't know

P 3. Have you participated in any communal activity where people work together for the benefit of the village?

□ No, I have not □ No

□ Yes, I have Can you imagine doing it in the future (as well)? □ Yes

□ I don't know □ I don't know

And sometimes, people ask for help from some group or community leader to solve these kinds of problems.

P 4. Have you asked for help or co-operation from some group or community leader in your village?

□ No, I have not □ No

□ Yes I have Can you imagine doing it in the future (as well)? □ Yes

□ I don't know □ I don't know

In October (2011) there will be national elections in Zambia, when people can vote for a government and a president. But many people don't find the time to vote.

P 5. Have you voted in a national election before?

□ No, I have not □ No

□ Yes, I have Can you imagine doing it in the future (as well)? □ Yes

□ I don't know □ I don't know

P 6. Do you know if it is necessary, according to the law, to know how to read and write in order to be able to vote in October?

□ Yes, it is necessary to know how to read and write. □ No, illiterates can vote too.

□ I don't know.

P 7. Do you think that the government protects the most important rights of the indigenous people of Zambia? □ Yes □ Somewhat □ No □ Don't know

Part 3: Social capital

S 1. Do you participate in other groups in the village that are not Friendship Bridge?

□ No □ Yes. Which ones? □ Church □ School committee □ Community groups

□ Others, how many? ____

S 2. Generally, do you trust the people in your village?

□ Yes □ Yes, somewhat □ No

S 3. Do you trust your group of five? □ Yes □ Yes, somewhat □ No

S 4. Are you worried that people in the group of five might not repay their loans?

□ Yes □ Yes, somewhat □ No

Part 4: Human capital (*Thank you, now I would like to ask you some other things).*

H 1. What level of education do you have?

□ None □ Primary □ Secondary □ College □ University

H 2. Do you know how to read and/or write?

□ No □Yes, I can □ read □ write

H 3. When you need information to help or supervise your business, do you know where to find that information? □ Yes □ Yes, more or less □ No

H 4. Have you given anyone else advice on their businesses?

□ Yes □ No □ Don't know

Part 5: Gender equality *(If the client is married/living together with someone)*

Thank you. Well, now I would like to talk a bit about your family. In different families, people make decisions in different ways. In your household, do you make decisions on your own, with your partner, or does he decide on his own? For instance, in the following cases:

	Alone	**Together with husband**	**Decide together**	**Don't know**
G 1. Whether your children should go to school or not				
G 2. Whether you should be a client of CETZAM or not				
G 3. How to vote in the national election				
G 4. Whether to buy big items for your household or not (such as animals, a stove, etc.)				

G 5. Finally, how do you feel in your household today, compared to before you joined CETZAM? □ Better □ The same □ Worse □ Don't know

Thank you so much! Now I don't have any more questions. Is there anything else you would like to say to me?

Appendix 6: The statistical data analysis

Statistical data on economic capacity

Cross tabulations on physical economic capacity calculated as one number

Physical economic capacity	Cycle				Totals
		1	2	3	
Very low level	Count	3	3	2	8
	% within cycle	20%	21%	13%	18%
Low level	Count	3	2	4	9
	% within cycle	20%	14%	27%	21%
Medium level	Count	3	1	4	8
	% within cycle	20%	7%	26%	18%
High level	Count	3	4	2	9
	% within cycle	20%	29%	13%	21%
Very high level	Count	3	4	3	10
	% within cycle	20%	29%	20%	23%
Total	Count	15	14	15	44
	% within cycle	100%	100%	100%	100%

Cross-tabulation on psychological economic capacity calculated as one number

Psychological economic capacity		Cycle			Totals
		1	2	3	
Low level	Count	8	5	8	21
	% within cycle	53%	31%	53%	46%
Medium level	Count	1	2	3	6
	% within cycle	7%	13%	20%	13%
High level	Count	6	9	4	19
	% within cycle	40%	56%	27%	41%
Total	Count	15	16	15	46
	% within cycle	100%	100%	100%	100%

Statistical data on political capacity

The index of political capacity

The following table is presented by Bjorstrand (2004:43). She added the following variables together in order to enable a quantitative index of the responses on political capacity.

Variable	Question(s)	Highest possible outcome
Awareness and understanding	P1+P7	1+1=2
Level of interest	P 2a + P2b +P3a +3b +P5a +P5b	1+1+1+1+1+1=6
Knowledge of the political system	P6	= 1
Previous political experience	P 3a + P4a +P5a	1+1+1=3
Total sum		**12**

The index ranges from 0 (no positive answers) to 12 (all positive answers). Thereafter, the index was divided into three levels: low (0-3), medium (4-8) and a high level of political capacity (9-12). Bjorstrand raises the issue of the indicators not being weighted against each other. However, she argues that, since she has not found any previous theoretical reasoning on how such weighting would function, she keeps to the model of an additive scale.

Statistical data on gender equality

Correlations

		Cycle	Decision on child's education
Cycle	correlation	1	-,384
	Significant (2-tailed)	.	,017
	Number of people	47	38
Decision on child's education	correlation	-,384	1
	Significant (2-tailed)	,017	.
	Number of people	38	38

The correlation is significant at the 0.05 level (2-tailed).

Statistical data on human capital

Cross tabulations - human capital and cycle

Cycle	H 3			H 4		
	% YES	% NO	% Neither YES nor NO	% YES	% NO	% Missing
1	43,75	37,5	18,75	50	37,5	12,5
2	62,5	37,5	0	62,5	18,75	18,75
3	40	46,67	13,33	60	60	0

Table 1 answers in percentage of the individuals on each question

Statistical data on social capital

Cross tabulations on social capital

Cycle	S 1			S 2			
	YES	NO	MISSING	YES	SOMEWHAT	NO	MISSING
1	25%	68,8%	6,3%	50%	25%	25%	0%
2	63%	31,3%	6,3%	56,3%	18,8%	25%	0%
3	47%	53,3%	0%	60%	20,%	20%	0%

Table 2. Shows the bridging capital.

Cycle	S 3				S 4			
	YES	Neither Yes nor No	NO	MISSING	YES	Neither Yes nor No	NO	MISSING
1	87,5%	6,3%	6,3%	0%	100%	0%	0%	0%
2	81,3%	12,5%	6,3%	0%	100%	0%	0%	0%
3	80%	13,3%	6,7%	0%	80%	6,7,%	13,3%	0%

Table 3. Shows the bonding capital.

Standard error

For each cycle, I calculated the margin error of answering yes.

Margin of error =+/- 1, 65*$\sqrt{}(\ *(1-\ )/\ )*(1-\ /\ ))$, where

P = the calculated proportion answering yes.

n = the number of people interviewed.

N = the number of people in the whole cycle.