A CRITICAL ANALYSIS OF SUSTAINABLE RURAL FINANCE: THE CASE OF MKOKHA VILLAGE IN MATOBO, ZIMBABWE

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Abstract

The study examines sustainability of rural finance services in Mkhoka village of Matobo North district in Bulawayo South, Zimbabwe. Guided by the microfinance triangle, it investigated sustainability of financial institutions, financial services, regulatory framework, processes, economic activities and infrastructure among other things. A sample from financial services providers and Mkhoka villagers provided data for the study. Questionnaires, personal interviews and observations were employed as tools for data collection. Phenomenology, positivism and interpretivism were married with a descriptive analytical approach. Results reveal that there is no sustainability in the provision of financial services in Mkhoka village owing to multi-dimensional constraints faced by both financial institutions and customers. These include inter-alia, poor roads, high operating costs, lack of electricity, inadequate water facilities due to continuous drought, very few economic activities, high default rates, high interest rates, stringent loan terms and tight repayment schedules. The study propose interventions that foster sustainability in rural finance in the village as comprising engagement of all stakeholders in a coordinated approach to address the highlighted constraints. Empirical experiences of other countries were also used to draw important lessons that can be experimented with in ensuring sustainability of rural finance in Mkhoka.

Keywords:

rural finance, sustainability, micro-finance, financial services, enabling environment

INTRODUCTION

Rural finance (RF) entails financial intermediation beyond town centres (International Bank for Reconstruction and Development, 2003). Rural communities are highly underserved. The extent to which they lack financial services vary from total financial exclusion to partial exclusion. Traditionally, formal financial institutions - like rural or agricultural development banks- have avoided or failed to offer sustainable services in rural areas, (ILO, 2012; RBZ, 2007).

According to Nagarajan and Meyer (2005), the scope of RF services is eclectic. RF not only services small enterprises in rural areas, but also the entire value chain of agricultural production and non-farm

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needs. Financial advances can help insure farm produce, cover veterinary costs finance, infrastructural development, pay for educational expenses, contract labour for planting and harvesting; transport goods to markets; make and or receive payments, pay for health costs or deal with emergencies among other things.

Provision of financial services to rural areas should not be short-lived but should be for a life time to enable rural residents to maintain their welfare, (LOGOTRI, 2006; Schreiner, 2000; Hollis and Sweetman, 1998; Christel et al, 1995; Krahnen and Schmidt, 1994; Adam et al, 1984). Von Pischke (1998) suggested that better functioning in financial markets result from sustainability in financial services provision which in turn improve economic welfare of rural citizens.

Various empirical studies on Zimbabwe (Mbira, 2016; Majattha, 2016; Toindepi, 2015; Muzari, 2013; Tarugarira, 2013; Mago, 2013; Mishi, 2012; Chikoko and Mangwendedza, 2012) looked at different aspects of general microfinance without narrowing down to rural finance in particular. This study particularly adds value by looking at sustainable RF in Zimbabwe. It provides important empirical evidence on sustainable rural finance in Mkokha village. It also provides an alternative way of assessing sustainability using qualitative criteria where financial service providers do not keep proper records that can be used for calculating operational self-sufficiency and financial self-sufficiency.

REVIEW OF RELATED LITERATURE

This study considered 3 theoretical underpinnings namely the institutionalist theory, social welfare theory and financial inclusion. The first holds that achievement of financial sustainability is but the only avenue through which financial institutions can offer continued support to the poor, most of which reside in rural areas. The second view holds that social investors, donors and the government should back up operations of microfinance institutions that serve the poor. Sustainability of related financial services is assessed on the basis of the level of advancement of social well-being of recipients. Financial sustainability of the service provider based on profitability is not necessary, (Brau, 2004).

The importance of institutional sustainability was stressed in a number of empirical studies, (Chikaza, 2015; Millson, 2013; Tammy, 2012; Conning, 2009; Hartarska and Nadolnyak, 2007). A financial institution qualifies as sustainable if it is able to mobilize its own resources, cover its own costs and maintain its monetary value under inflation. Sustainability constitutes of three main components: 1) operational self-sufficiency – also called viability. It measures the degree to which operational income can cover costs, 2) financial self-sufficiency – measures the degree of operational costs coverage and the value of an institution's resources conserved after accounting for subsidies and inflationary effects and 3) self-reliance – measures the ability of an MFI to mobilize its own internal financial resources thus avoiding dependency on government and donor funding or on commercial loans.

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Other researchers contend for a mixture of the two approaches arguing that) that combining financial sustainability together with social responsibility can benefit both the poor and the MFIs. MFIs that comprehend their purpose of serving the poor find ways of making their operations self- sufficient as an alternative to seeking donor and government support, (Prahalad, 2005; Copestake et al., 2002). Ability to cover costs and profitability become a prerequisite to such MFI.

Turning to the last theoretical basis, Rajan and Zingales (2003) and Reserve bank of India (2005) suggested that financial inclusion is a way of guaranteeing availability of a complete range of reliable, low cost and standard banking products to all people of a country. This has to be done in a noble and expedient manner avoiding discriminatory practices against any sections of the society on the basis of level of income or economic means. This is because banking services are public goods in nature, hence non-discrimination should be a priority goal of public policy (Chikoko and Mangwendeza, 2012; Reserve Bank of India 2005).

Nagarajan and Meyer (2005) provided a link between sustainable economic activities and sustainable RF. They asserted that developing economies are usually confronted by a shortage of formal RF, this therefore affect viability of economic activities in rural areas hence increasing poverty levels.

Conceptual framework

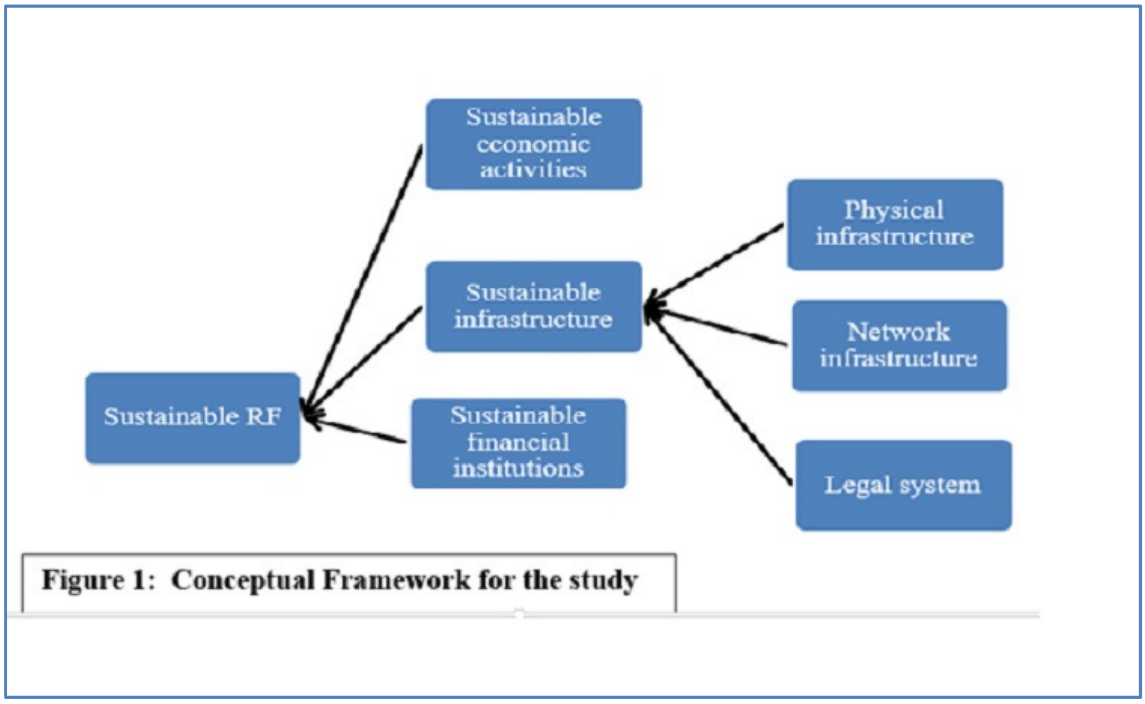

Figure 1: Conceptual Framework for the study

The researcher conceptualised that sustainable RF depends on sustainable economic activities, sustainable infrastructure and sustainable financial institutions. For sustainable rural finance, a number of things should be sustainable; institutions, economic activities and infrastructure. Infrastructure was divided into

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physical, network and legal infrastructure. This includes support services like training and advances in technology, Llanto and Badiola, 2011; Zeller and Meyer, 2002).

METHODOLOGY

The study adopted exploratory and conclusive research designs. The conclusive research design mixes both causal and descriptive research, (Singer and Willett, 2003). The first design was used to probe features of a research problem, options available for solving it and any other important issues that should be taken into account. Descriptive research helped to give an account of the state of RF and the challenges that both rural clients and providers of financial services have to overcome for sustainable rural finance. It also allowed for a mixture of both quantitative and qualitative methods.

In a bid to avoid philosophical monism, this research used both positivist, interpretivist and phenomenological approaches. Firstly, interpretivism was instrumental in understanding qualitative data, for instance, barriers to sustainable provision of RF in Mkokha village. Secondly, the positivist approach was used to collect and analyse quantitative data which encompassed loan amounts received by customers in Mkokha village and percentage of income spent on different uses. Lastly, phenomenology studied lived experiences of the people in Mkokha village and those of financial service providers for the village.

In line with the chosen designs, the researcher used questionnaires, interviews and observations to collect data. A mixture of closed and open ended questions were personally administered on Mkokha villagers by the researcher. Semi-structured interviews were conducted with financial institutions' representatives while preliminary interviews were done with the village secretary and head to get a general picture of the economic activities in the area and the provision of RF. The researcher went around the area witnessing some of the economic projects and challenges highlighted for the village. This provided complimentary information, some of which respondents were not comfortable disclosing, thus eliminating room for pretence.

Support for mixed methods came from a number of modern researchers including Cameroon (2011), Tashakkori and Teddlie (2010), Creswell, (2010) and Onwuegbuzie and Turner (2007), who advocate for a mixed research paradigm. Their studies reveal that not even one research philosophy consistently outperform other philosophies, hence researchers suggest a blend of beliefs so as to enhance excellence of research findings.

Primary data was gathered from the study universe constituting all financial institutions that provide rural financial services in Mkokha village and 160 households, using a sample size of 54 participants. 3 participants are NGOs (World Vision, ORAP and Red Cross), 1 bank, (Agribank), 1 MNO, (Econet), and the RBZ while the rest 48 are households. The sample size was chosen on the basis of representativeness, time and cost limitations. A mixture of purposive, convenience and simple random sampling was considered ideal in order to minimise the negative impacts of one technique on research findings.

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Secondary data came from a variety of literature on the subject.

Quantitative data was presented and analysed using descriptive and inferential statistics. For qualitative data analysis, the researcher chose narrative and critical analysis.

Measures of sustainability

Popular measures of sustainability like the operational self sufficiency (OSS) and the financial self sufficiency (FSS) could not be used in this study because of inaccessibility of data. Local initiatives had incomplete records for the period under study and apart from that; merry-go-rounds also had some temporary periods of inactivity. NGOs also had once off grants for which the next provision is not predictable but depends on availability of donor funds and would require approval. Alternatively, qualitative measures and profitability was used to assess sustainability i.e. the ability to cover costs. Sources of funds were also investigated to find if institutions' sources of capital are sustainable. The qualitative assessment was based on the nature of business i.e. whether it is a going concern or not, consistency in service provision and the nature of infrastructure in Mkokha village.

RESULTS ANALYSIS AND INTERPRETATION

Sustainability of financial institutions

Service providers and services provided

Empirical finding show that 11 service providers provide both financial and non-financial services, 18 service providers concentrate on financial services only while the last group of 3 service providers offer non-financial services only.

Financial services which promote financial sustainability were found to be developmental loans by World Vision for supporting agriculture and commercial activities as opposed to agricultural vouchers where recipients have no responsibility of repayment. Such funds are used with care. Apart from the core services, support services were cited as critical for sustainability. The NGOs trained a total of 952 members since 2009 in different areas including livestock breeding, gardening and bookkeeping issues. In terms of food aid, all household have benefited from food aid given by the Red Cross. This finding confirms findings by other authors like Seibel (2000) who contended that there is a need to broaden financial services through the use of non-financial services if sustainability is to be fostered.

Consistency in service provision and sustainability

The 48 respondents (100%) indicated that all other institutions providing financial services in Mkokha village are not reliable except their local initiatives. This confirms findings by Vakantesh and Kala (2011), and Baland et al (2008) that Self-Help-Groups (SHGs) are the ideal financial institutions for rural people by the people. Hence this case is not peculiar to Mkokha village only but is a common feature in many countries especially India and China that have seen growing numbers of SHGs as opposed to other financial institutions. The level of unreliability that exists for microfinance providers

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inhibit sustainability in RF. Villagers' economic development is set back by such behaviour.

Some institutions made promises and required residents to organise themselves into groups and disappeared thereafter. These include Agribank and Red Cross. Once, they were promised of a well which was never constructed. Currently, the women cooperative dug and are deepening a traditional well, known as *umthombo.*

This reinforces evidence from Meyer (2002) who argued that once off grants or loans is not what the poor need. They require services that benefit them over a long period. Their economic wellbeing is worsened by short term financial services, (Navajas et al., 2000).
The solution suggested to this is to provide access to financial services reliably by working together in partnerships.

Distribution channels, outreach, related problems and solutions

Interview responses from RF providers show that outreach is shallow except for local SHGs. World Vision and ORAP's reasons for poor outreach are poor road networks to Mkokha, poor infrastructure, lack of water in the area and long distance from Matopo centre where most of the facilities can be obtained. These NGOs also indicated that their funding is usually directed. Donors specify numbers of intended beneficiaries in the implementation plan. The final implementation should be in line with the intended outreach.

Findings suggest that problems may be overcome if NGOs work together starting from infrastructural development and capacity development. This will ensure that financial services will spread out and deep into all marginalised areas by avoiding duplication of effort and will also guarantee timely intervention that ensures that by the termination of one programme by one NGO, the other NGO will also be coming in. NGOs suggested that this coordination can be facilitated by their umbrella body National Association of Non-Governmental Organisations (NANGO).

Agribank complained about loan default as one main discouragement to expansion of outreach. It also complained of viability problems of economic activities in the area which are the cause of high default. By doing this, they mean that the poor are unbankable which contradicts findings by Khawari (2004) who said that poverty is an opportunity for agriculture development banks to make profit by offering tailor-made financial services. The contradicted sustainable agricultural banks are Thailand's Bank for Agriculture and Agricultural Cooperatives (BAAC) and Mongolia's Agricultural Bank. In addition, Agribank seemed to partly blame AREX for the few loan applications submitted and political forces also influence how much of the funds should be directed towards the area.

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Table 1: Agribank and its outreach

Year	**2009**	**2010**	**2011**	**2012**
Maximum loan amount	$200	$400	$500	$1000
Number of borrowers	15	21	30	30

Figures in Table 1 are for the number of borrowers for Gulathi area which is made up of Nyumbane, Gwangwazile and Mkokha. Exact figures for Mkokha only could not be obtained. This shows how limited the coverage was. If economic activities in the village are sustainable and political influence is avoided, then, Mkokha can be a sustainable business opportunity for the bank.

Econet's outreach in the whole country totals about 1.7 million registered users. Econet indicated that the problem which limits its outreach in Mkokha is lack of EcoCash merchants or agents in the area. The other problem that it faces is poor network coverage as a result of lack of a base station in Mkokha village. This can be overcome by installing base stations in the area and setting up agents in the village.

Outreach is also considerable for burial societies consistent with empirical evidence from Uganda, Von Pische (2003). Every household is a member of one or more burial societies. Every burial society has a minimum of 10 households. With merry-go-rounds, outreach is a bit low because most of them have an average of four members who contribute monthly which means that each member will get a share of the savings once after every four months. The other challenge is that every member first have to be part of a burial society before they can join merry-go-rounds. Due to persistent drought, less and less members each year are able to maintain their membership in merry-go-rounds as shown by the decline in percentage change in outreach in the table below. With membership of burial societies, contributions are made per household and the membership has been on the increase from 2009 until every household could save for burial cover. No further change can be registered in outreach as every household has come on board. The results are shown in Table 2.

Table 2: SHGs and their outreach

Year	2009	2010	2011	2012
total members (merry-go-rounds)	400	600	520	320
Percentage change in outreach		50%	-20%	-38%

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total households (burial societies)	121	159	160	160
Percentage change in outreach		31%	1%	0%

Partnerships

Financial service providers work in partnerships, however, these are not functional in Mkokha. They are established for serving other areas of Matobo district. If all possible linkages are taken advantage of, then financial sustainability can be better achieved by all stakeholders of the partnership as observed by Nagarajan and Meyer (2005) in a cross country study of outreach and sustainability.

The RBZ indicated that its duty is to coordinate activities of different financial institutions like banks, MFIs, NGOs, local savings groups and insurance companies to unlock their potential for sustainable financial inclusion in rural areas. Efforts are underway to make sure that all marginalised areas are covered including Mkokha village as embodied in the National Financial Inclusion Framework.

Importance of sustainability to microfinance institutions and to households

Sustainability requires that a financial institution makes profit to cover its operational costs. Figures for Mkokha only were not obtained so the researcher used total profit figures for both Econet and Agribank. Total profit figures for Agribank are given in Table 3 below. Therefore, from the operating losses shown, Agribank has not achieved financial sustainability for the 6 years, except in 2011 when it made a profit of $0.3 m.

Table 3: Total profit figures for Agribank.

Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Agribank	-$6.7m	-$8.1m	$0.3m	-$5.6m	$9.3m	$9.1m	$5.9m
Econet			$165,7m	$139.9m	$119.4m	$70.2m	$40.2m

The figures obtained for Econet are for the holding company not for the EcoCash subsidiary. However, results from the interviews show that significant business comes from EcoCash. EcoCash was formed in 2011. The financial information considered is for the financial years ending February 2012 to 2016. The profit figures are $165 741 088, $139 938 220, $119 397 000, $70 207 607 and $40 200 266. The profitability of the institution is declining. Nevertheless, this evidence show that Econet in sustainable since it cover its costs.

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The three NGOs indicated that financial sustainability is not much of a concern to them because if donors donate funds, they worry much about the social responsibility. NGOs should benefit more people hence outreach should be broad and deep. However institutional and financial sustainability is a result of the value attached to the organisations by their donors. If they use funds as intended, then they are guaranteed of continued support. They could not provide financial statements but only indicated that above 90% of their donor funds go towards expenditure. Nevertheless, they are mandated to ensure that projects they fund are sustainable through capacity building.

The SHGs did not have proper records that could be used for calculating financial sustainability ratios. Households in Mkokha indicated that sustainability of burial societies is a prerequisite. This will ensure timely funeral cover in times of bereavement. For merry-go-rounds and businesses sustainability is critical for development and survival since the area is seriously affected by drought and they have food shortages almost every year. NGOs and the government intervene but sometimes it will be too late. Financial sustainability will therefore ensure that they cover their costs and expand the scale of business. Business sustainability is a basis for qualification for loan access. This confirmation from the study is in line with empirical findings from South Africa and other countries, (Kasenge, 2011).

Responses made to questions on viability of business operations, sources of funds and other relevant information was used to deduce the level of financial sustainability for the microfinance institutions to come up with Figure 2. Agribank and merry-go-rounds were found to be low on both financial viability and outreach. NGOs and Econet were found to be high on sustainability but low on outreach. Finally burial societies were found to be high on outreach but low on sustainability.

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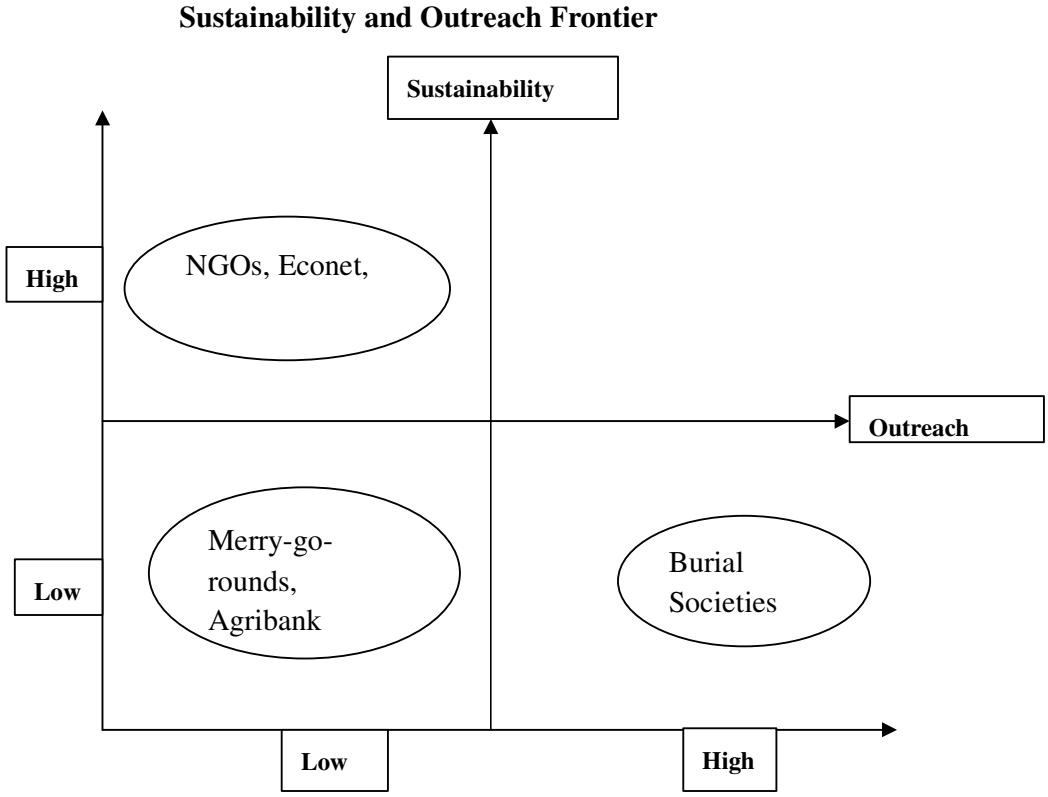

Figure 2: Financial sustainability rankings

Sustainability of infrastructure and support services

Infrastructure is not sustainable owing to a number of challenges which include: absence of constructed roads leading to lack of transport facilities, lack of boosters causing poor network coverage and poor communication, lack of physical bank structures, lack of title deeds for land, lack of electricity facilities, lack of sufficient water facilities and lack of dip tanks.

Technological and process innovations

Results revealed that in other rural areas, Agribank use technology to tag cattle that are pledged as collateral for loans. They remain the property of Agribank for the loan period until the last instalment is paid after which the tag will be removed. The bank also has a mobile banking application. These two innovations have not yet been rolled out to Mkokha village but it's a potential way of serving the village.

Econet services have benefited local SHGs through convenience of making contributions via EcoCash without concerns about distance which were previously unavoidable as contributions were traditionally made under a tree. Econet has discovered a new function on its EcoCash facility which allows EcoCash users to use their cellphones as virtual debit cards. They can swipe cellphones on a POS device or on a credit card terminal and pay for goods and services provided by EcoCash merchants if the customers have money in their wallets. The customers will sign a merchant copy of the transaction printed from the

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EcoCash terminal for record keeping. Econet plans to have every store in the country, including rural areas, installed with an "EcoCash Terminal". The terminals will not be sold to participating stores and merchants but will be leased to them.

EcoCash merchants can easily transfer money from their EcoCash wallet to their bank account without the need to visit a bank. The bank account is also accessible from the EcoCash wallet. Money can be withdrawn from a bank account through an EcoCash wallet withdrawal. EcoCash merchants are also able to transact with other merchants as well as paying their staff salaries.

EcoCash agents in rural areas now are being integrated into accepting payment for groceries using EcoCash. Econet is considering this for Mkokha district once it manages to create partnerships.

World Vision, and ORAP and Red Cross use technology that helps them to manage information. They have special software for database management. An example is the recently launched Rural WASH Information and Management System (RWIMS) developed by Integral Edge Business Intelligence for the National Coordination of Water and Sanitation Health (WASH) programmes.

The RBZ representative suggested that even those without technological modernization can leverage on the platforms provided by Econet and create a win-win situation for both of them.

Despite that, SHGs feel that they can be better if they have their own technological equipment. They still insist on loans and donor aid. This supports findings by Llanto and Badiola (2011) who also suggest that donors and the government should bear the task of providing funds for procurement of robust information technology (IT) systems such as Loan Performer, Globus, CreditEase, Loan Manager and Microfinance Tracking System which have inbuilt controls and capacity to produce management reports for private RF providers, NGOs and government related institutions.

Response on training received

A majority of the households in Mkokha village are trained at least once a year if they are not members of merry-go-rounds. Members of merry-go-rounds conduct self-training sessions regularly to benefit from the savings that they contribute. They normally do that every month when they meet to make contributions. The government and some non-governmental organisations come to train the villagers. Figures are given in Table 4 below.

This picture portrayed here by local financial initiatives is the outcome desired by NGOs that individuals be able to educate each other and sustain their economic activities through informed business conduct. Training through local initiatives ensures that everyone will buy-in. People will support the ideas they advocate for and sustainable businesses can be promoted that way.

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Table 4: Training history.

Name of trainer	Subject	Frequency since 2009
World Vision	Conservative farming	Once a year
Red Cross	Drought resistant crop farming, livestock production, bookkeeping, financial management	3 times per year
Government	Youth empowerment and project management	3 times per year
Own group training	Financial management and survival strategies	12 times per year

Sustainability of rural finance services

Sources of funds and sustainability

80% households indicated that they rely on project income, 40% on sale of livestock, 10% on remittances from within the country and abroad through EcoCash and 5% on salaries. The sources of funds are not exclusive. No respondent cited loans as a source of funding mainly because they are spontaneous and only a few have benefited from loans in the past. Therefore they cannot rely on them as a source of funding. All households get funds from more than one source. On other sources, 15% of the households acknowledged that they benefit from donor input funding.

A considerable portion of those who rely on project funds are gardeners whose projects are discontinued for a while until the rains are back. Projects are not big enough to provide means of livelihood through the dry spell. Hence residents of Mkokha village go for some time without money. The evidence provided above that 50% of the income generating activities are declining in performance show that this form of funding is not sustainable. Sustainability is about having access to financial services in every time of need not seasonally.

On the other hand, the sources of funds for the providers of financial services are mainly donor funds. Interview responses from the three NGOs that took part in the study show that donor funding is generally sustainable. However, Red Cross added that if an NGO is not performing as expected by donors, they withdraw their funding. This is the challenge they confessed to have encountered in 2009 when DANIDA and EU withdrew aid from the organisation over allegations of corruption. Econet's profits had been the source of funding for the EcoCash division. It was said that 80% of profits from

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Econet go to EcoCash. The sources of funds for EcoCash are sustainable. Agribank's sources of funds are not sustainable since the government is struggling to fund it and the bank has been making losses and is due for privatisation.

Uses of funds and sustainability

On uses of funds, summarised responses are tabulated in Table 5. From the table, the houses that are better off spend 50% on basics and the other 50% is spread between big and small assets. As the percentage income spent on basics increase, declining income levels force households to spare little and little towards assets. At 100%, 15 worse off households spend all their funds on basics and can afford nothing else other than that.

Table 5: Percentage usage of income by villagers.

Item description	**Percentage**									
	10	20	30	40	50	60	70	80	90	100
Basics					12	5	1	3	4	15
Small assets	4	3	3	4	10					
Big assets	4	2								

Big assets are the ones that are usually useful for production purposes and allow people to undertake projects on a large scale. Without assets, projects cannot be sustainable.

One suggested solutions is to equip people with developmental assets through engaging donor and NGO support for households with potential. This may make their small projects viable and sustainable. As long as sustainable economic activities are there in an area, then financial services will definitely follow such development as advocated by the Agribank.

Details on preferred loans terms and amounts

Respondents gave details of loan amounts and loan terms preferred for different purposes. The researcher grouped the purposes into consumption and investment. An average loan term was calculated and shown in Figure 3 below.

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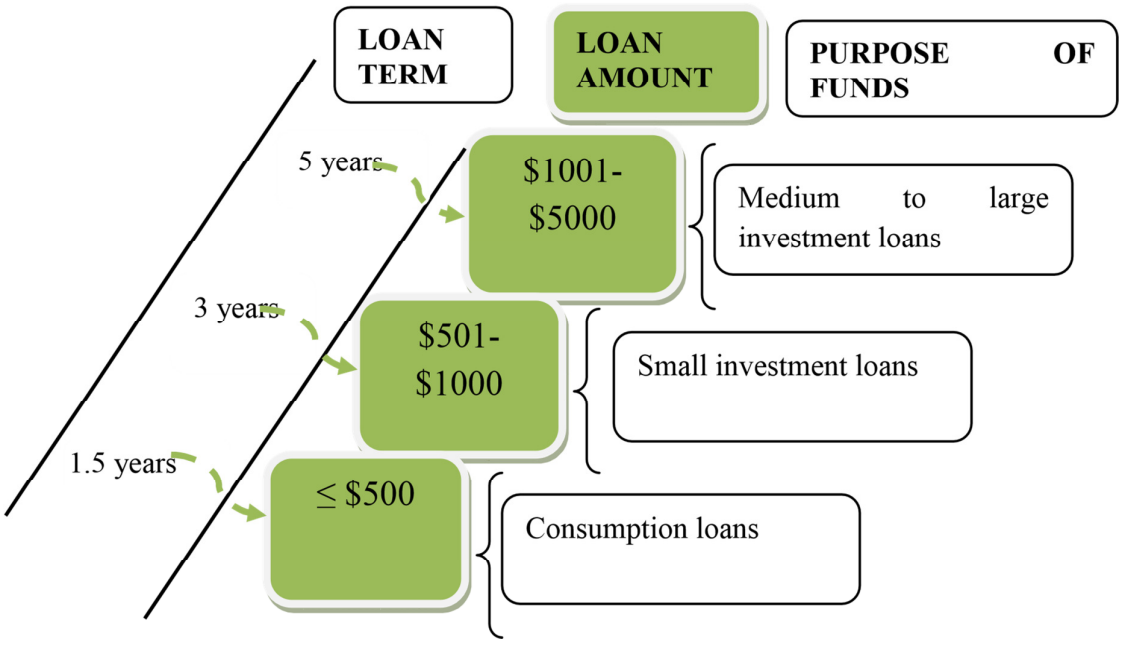

Figure 3: Villagers loan requirements

From the Figure 3, the loan amounts and the term of the loan are reasonable as they are not far from the terms that Agribank allows. Possibly, the clients completed the questionnaires considering what Agribank has for them.

Loan collateral and sustainability

Responses on the type of collateral assets that the people of Mkokha can pledge when applying for loans give the results shown in Table 6.

Table 6: Loan collateral distribution.

Type of collateral	Number of households
Livestock	9
Farm machinery (water pump, plough)	7
Farm produce/inventory	38
Buildings (barns, etc.)	5
Land	15

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From Table 6 above, the most common form of collateral that villagers are willing to part with is their produce. The challenge of accepting produce lies in poor harvest which may be short of the loan amount due to drought in the area. Those prepared to collateralise livestock are only 9 households. The reason may be that there are very few livestocks in the area mainly because of the drought that claim lives of animals every year owing to water shortages in the area. So they are not ready to risk the few cattle they have. 15 households are prepared to pledge land as collateral. However, the challenge with people in Mkokha is that they have no title deeds to land. Land can therefore not be accepted by financial institutions. Only five households (12.5%) are prepared to pledge their buildings. The reason may be that the majority have poor traditional houses that are difficult to sell. Also noteworthy is that only a few individuals can pledge farm equipment. The reason may be that most people do not have the equipment as evidenced by the practice of zero tillage by many households (as observed by the researcher as she toured the area). From the limitations highlighted, the different forms of collateral cannot be relied on for sustainable credit.

Solutions include experimenting with group loans for the area in support of the RBZ financial inclusion stance. The Red Cross and Econet are not worried about collateral since they are not into lending. They only provide school fees and money transfer services in the village.

Impact of financial services and other financial substitutes on household welfare

Research evidence on how welfare changed as households gained admission to RF and support services produced the following results. 55% of households indicated that they can now afford basic necessities; another 35% indicated that they are now able to buy small assets over and above basic necessities and 10% can now afford big assets over and above basics and small assets. Those who can now afford basics are beneficiaries of indirect financial services through food aid and a few of them are managing with the returns from farming inputs that were received from donors. Those who afford small assets are beneficiaries of merry-go rounds that are popular for kitchen top-ups and purchase of blankets.

Some interventions by NGO-MFIs came in form of equipment support. Those who were given equipment found it easy to boost business performance in terms of profitability. This made it easy for them to cover other large expenditure items which are productive and long term in nature. One such individual got a water pump from ORAP and is really doing well. His garden depends on the pump he received from ORAP shown in Figure 4.

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Figure 4: Beneficiary of a water pump form ORAP and his diesel powered water pump

This form of impact is the one noted by RHVP (2007) when they claimed that the KI-RMFP project resulted in improved asset accumulation, better health and quality housing.

Financial service that villagers lack

From the consumers' side, they lack sufficient credit facilities. All households require different types of loan products. Demand is high for agricultural loans followed by commercial loans and it is least for consumer loans. This result agrees with empirical evidence from India which posits that the poor in rural areas are usually financially excluded, Gupta (2010). Financial institutions perceive that villagers need school fees, technologically related services and crop insurance. Similarly, other countries have complimented loan products with savings products and insurance products according to (Pagura and Kirsten, 2006). However, Makki (2002) warned against problems that are also inherent in agriculture insurance calling for innovative solutions to successfully integrate it with other financial services.

Sustainability of economic activities

Economic activities in Mkokha village and relationship to sustainability

The activities are ranked in order of significance starting with the main activities in the area. The same applies to the challenges and the solutions.

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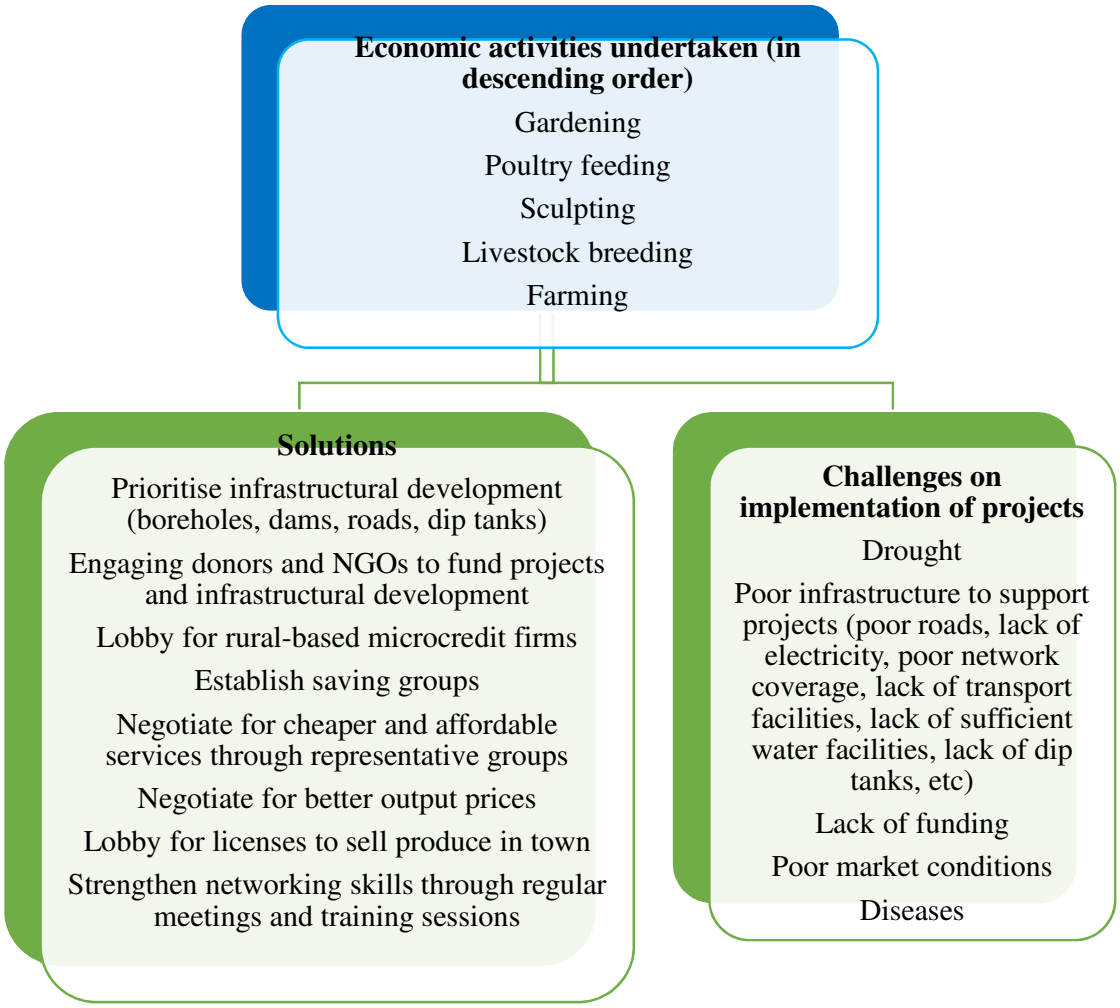

Figure 5: Economic activities, challenges and solutions for Mkokha village

Evidence of some of the economic challenges observed by the researcher is shown below.

Figure 6: A garden in Mkokha village.

The farmer is showing the researcher some of his crops.

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Figure 7: Rock outcrops in, Mkokha village

Outcrops make farming less viable

Figure 8: Livestock food and water challenges

Livestock starve during dry seasons and people have difficulties finding water for sustenance.

Response on the status of household economic activities since 2009

Of all the economic activities in Mkokha village, only 10.4% have registered positive growth since 2009 as shown in Table 7. The improving projects are the only ones whose owners can receive funds from relatives abroad and in towns.

Table 7: Status of household activities since 2009

Status of business	Responses	Percentage
Declining	24	50
Constant	19	39.6
Increasing	5	10.4

Economically active household members

Figure 9 shows the different estimates of percentage family members who are economically active in Mkokha village for each of the 48 households. The figures were used to come up with the scatter plot.

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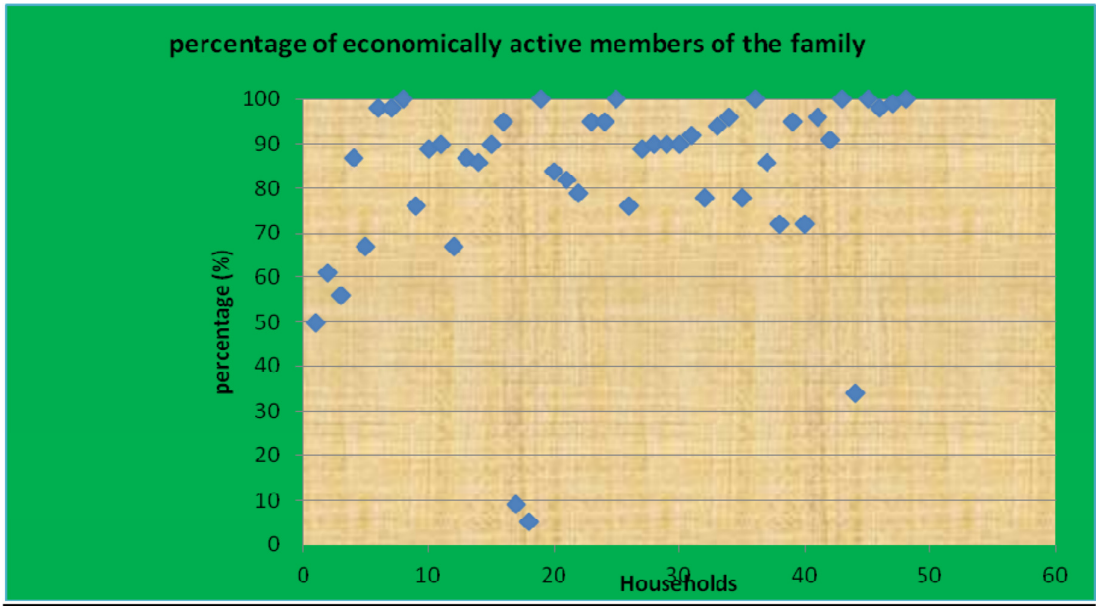

Figure 9: Scatter plot showing percentage of economically active family members.

On the graph, the numbers 1-40 have been used arbitrarily to number the first up to the 40th response. They are used in place of names of respondents. On average, 82.5% family members of the 48 households that participated in the study are economically active. This is a good picture for microcredit providers. It indicates potential for better performance by clients in Mkokha village. However, providers indicated concern with economically active members of the society who do not want to work when given resources to improve their welfare.

Factors that limit access to RF

95% of households indicated that they do not trust financial institutions and they are discouraged by long distances. These findings substantiate theory that, among others, long distance and lack of confidence in the financial sector exacerbates financial exclusion, (Arora, 2009). The researcher observed that there is not a single financial service provider who is based in the area let alone a business centre. The nearest business centre is in Gwangwazile village where there are only 3 small shops, 1 butchery and a bottle store. Formal financial services providers come and go. This shows how far the village lags behind in terms of development.

The people of Mkokha want the regulatory authority to ensure that they have legal title to land so that they can use it as collateral. They want a clear procedure on how to proceed if providers of financial services fail them. They want to know how they can engage the relevant authorities.

Agribank complained that at some point in the past, the government would compel it to lend to farmers despite any challenges they may face and in the absence of insurance. So this partly accounts for losses it recorded.

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SHGs in Mkhokha still have outstanding challenges which need attention. These have to do with supervision, good governance and regulation. Self-regulation for SHGs was noted to be ineffective, owing to lack of regulatory capacity for ensuring compliance and authority to dissolve non-performing establishments.

Political interference has been seen in the distribution of aid and in the selection of members whose applications will be submitted to Agribank through the ministry of agriculture. Transparency is lacking on how individuals can win political favour and have their applications considered.

The rising minimum capital requirements present a challenge to banks like Agribank which end up having no funds for lending to rural areas as it seeks funds to boost its capital base.

Positive developments

The Reserve Bank of Zimbabwe welcomed mobile money as a significant move towards better financial inclusion. It committed itself to assisting MNOs in whatever ways possible to promote innovations in mobile money transactions. The RBZ has invited Econet to hold open discussions to facilitate smooth mobile transactions. The RBZ working with the POTRAZ is set to improve transparency, promote fair competition and pricing of mobile money transfer services to reduce costs and increase availability.

All of the NGOs indicated their commitment to infrastructural development RF is to be made sustainable in the area. NGOs also feel that more work should be done in terms of construction of wells and boreholes. ORAP and Red Cross have plans underway for this. The RBZ said the government is also working with the RDCs to ensure infrastructural development in other regions and hoped that soon Mkokha will benefit from that arrangement. The RBZ also echoed the need to approach REA so as to ensure electricity coverage in Matobo district. Literature from Llanto and Badiola (2011) support such initiatives.

Econet said it has started working with chiefs in Matobo district for the erection of base stations and soon it will come to Mkokha and the village will have good network coverage.

The government is working on addressing the liquidity challenges that Agribank is facing by ceding part of the ownership of the bank to private investors. This is supposed to provide sufficient funds to meet minimum regulatory capital for the bank without difficulty.

Recommendations

The RBZ should promote an environment free from political interference to ensure that rural financial markets form and function properly.

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The government should the people in Mkokha have title to land. Any other regulatory gaps should be filled in to ensure that people can use their rights as collateral substitutes. Security in transactions will be enhanced if rights to land and other movable assets are honoured.

Local SHGs are encouraged to deposit money for their burial societies in EcoCash wallet account to avoid risks they may face by keeping money at home. Ecocash can help SHGs to make their regular contributions without the need to travel and meet at a common place.

Through their own representatives, people in rural areas are recommended to arrange for their additional training through youth groups, church groups and cooperatives to sharing knowledge and experiences through workshops and conferences. Following training of trainers workshops, participants drawn from different rural districts can go back and train other community members.

It is recommended that RF providers experiment with solar units to charge agents' notebooks and or introduce electronic which facilitate cashless transactions as was done in China and Bolivia, (ILO, 2012). This will help to address the problem of lack of electricity in Mkokha village and other rural areas.

Donors and the government are recommended to provide funds for procurement of robust information technology (IT) systems such as Loan Performer, Globus, CreditEase, Loan Manager and Microfinance Tracking System which have inbuilt controls and capacity to produce management reports as suggested by Llanto and Badiola (2011).

The researcher challenge MFIs as ideal tools for poverty alleviation to experiment with providing services to such rural areas and hence accomplish their goal as some MFIs have done well in countries like Kenya.

CONCLUSION

The study investigated the state of RF in Mkokha and reveals diverse challenges that preclude sustainability of RF in Mkokha village. These challenges affect economic activities of people in the village and render them ineligible as target beneficiaries by service providers. They affect infrastructure; both physical and network. Profit making financial institutions shy away from the village amidst history of default on previously extended loan facilities. Sustainability appears a far-fetched dream for Mkokha village. NGOs and Econet were found to have achieved institutional sustainability in terms of profitability and sources of funds while Agribank and SHGs are yet to. SHGs operate on a very small scale and do not offer a wide range of financial services except burial services and saving services. Econet serves the village from a distance and its services are sometimes unavailable owing to network challenges. NGOs do not offer sustainable RF because they depend on donor fund which come

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spontaneously. However, partnerships, infrastructural development, technological developments combined with an enabling environment may make RF sustainable in the village though it requires a lot of commitment, coordination and resources. In addition, sustainability is only achievable in the long run, in agreement with Welford's (1994) assertion.

The results of the study reinforce empirical research findings that most rural areas are financially excluded or underserved with sustainable financial inclusion only possible when stakeholders come into working partnerships.

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