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The role of loan officers and clients in the diffusion of microfinance: A study of PRIDE Zambia and CETZAM in Zambia.

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The Role of Loan Officers and Clients in the Diffusion of Microfinance: A Study of PRIDE Zambia and CETZAM in Zambia.

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A Thesis Submitted in Partial Fulfillment of the Requirement of Durham University for the Degree of Doctor of Philosophy

Durham Business School

2006

Dedication

To the Memories of my Uncle Mwala A. Sichali, my Brothers Lukundo and Nkusechela and my Sister: Joyce.

I know you would have been proud of this achievement.

Abstract

This thesis seeks to illustrate and explain the variable take-up of microfinance from the particular standpoint of the actors who actually produce and deliver microfinance. It draws attention to issues of relationships, action, tensions, and compromises in the real work of loan officers, which ultimately define how microfinance works. Few existing studies have used data outside South Asia to examine what loan officers actually do at the interface with clients and their role in the diffusion of microfinance. A central concern of this thesis is that microfinance relies heavily upon loan officers to be a critical link and facilitators of 'bottom-up' development, yet the activities of loan officers in sub-Saharan Africa and Zambia in particular, where microfinance is emerging, remain relatively under-researched.

This qualitative ethnographic study was designed to examine the processes of microfinance and how it works by interviewing and observing loan officers' interactions with clients and everyday practices. Analysis of data was conducted in accordance with grounded theory principles and organised with the assistance of the software programme, QSR NVIVO.

The results reported in this thesis indicate that loan officers had multiple, ambiguous and fast changing roles, mainly driven by an institution's economic survival rather than clients' 'empowerment'. Pressure for institutional sustainability and commercialisation were also found to be changing relationships and the original character of microfinance. Furthermore, the practice of microfinance in Zambia risked transforming loan officers into 'loan repayment agents' as opposed to 'development workers' or 'enablers' of growth.

The thesis concludes that loan officers are so critical that without an appropriate fieldwork culture, microfinance cannot effectively diffuse whatever its design.

The central contention of the thesis is that, sustainability and diffusion of microfinance could be flawed if it is so dependent on loan officers. Furthermore, those studies which have excluded the voice of loan officers may not be an accurate predictor of its likely performance.

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List of Abbreviations

ADB	Asian Development Bank
AIDS	Acquired Immunodeficiency syndrome
AMIZ	Association of Microfinance Institutions of Zambia
CETZAM	Christian Enterprise Trust of Zambia
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poorest
CO	Credit Officer
CSO	Central Statistics Office
DFID	British Department for International Development
EG	Enterprise Group
FINCA	Foundation for International Community Assistance
FGD	Focus Group Discussion
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
LO	Loan Officer
MEC	Market Enterprise Committee
MFI	Microfinance Institution
GDP	Gross Development Product
NGO	Non-Governmental Organization
NOZAMED	Northern Zambia Micro-Enterprise Development
OI	Opportunity International
PBA	Personal Business Advisor
PRIDE	Promotion of Rural Initiatives and Development Enterprises
PULSE	Peri-Urban Lusaka Small Enterprise
ROSCA	Rotating Savings and Credit Association
SIDA	Swedish International Development Agency
SG	Solidarity Group
SGL	Salary Guaranteed Loans
SSA	Sub-Saharan Africa
TB	Trust Bank
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Acknowledgements

Chapter one

Introduction

"Microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change peoples' lives for the better –especially the lives of those who need it most" (Kofi Annan, UN Secretary General, 18 November 2004).

1.1. Introduction

This research seeks to illustrate and explain the variable take-up of microfinance from the particular standpoint of the actors who actually produce and deliver microfinance. It draws attention to issues of action, tensions, and compromises in the real work of loan officers at the interface with clients, which ultimately define how microfinance works. It does this by examining the role played by loan officers[1] in 'empowering' the poor and the development of microfinance in Zambia.

Poverty alleviation topped the official international development agenda in the 1990's with claims that appropriate credit can end poverty. To boost world microfinance initiatives, the UN General Assembly designated the year 2005 as the International Year of Microcredit. The importance of microfinance was also raised in the 2004 G8 Summit in Sea Island, the Commission for Africa Report, 2005 and later at the G8 Gleneagles Summit, 2005 in Scotland. The Microcredit Summit Campaign of 1997 set an ambitious goal of reaching 100 million of the

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[1] Loan officers are employees of MFIs actively involved in the lending process by way of implementing the policies, mediating the transactions and interacting with clients. They are the major link between microfinance institutions and clients and possess the most experience with respect to implementation or real work of microfinance. Other titles such as: field staff, credit officers or fieldworkers have been used to refer to such MFI employees. This study adopts the title – loan officers unless referring to other sources.
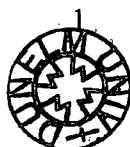
world's poorest by 2005 (Microcredit Summit Secretariat Summit, 2001). Although the definition of poverty is problematic, in Africa more than 40 percent of its 750 million people live below the internationally recognized poverty line of $1 a day (World Bank, 2005), and sub-Saharan Africa (SSA) is even more disturbing. As table 1.1 shows, SSA has the highest percentage living below US$ 1 per day compared to other regions and in particular, South Asia and Latin America. In 1996, the World Bank Group and the International Monetary Fund launched the Heavily Indebted Poor Country Initiative (HIPC) to provide debt relief to 41 heavily indebted countries, 32 of which are located in SSA alone (Swallow, 2005).

Table 1.1 Headcount indices: Official Percentages of Population living below US$1 per day

	1981	1984	1987	1990	1993	1996	1999	2001
East Asia	57.7	38.9	28.0	29.6	24.9	16.6	15.7	14.9
Eastern Europe & Central Asia	0.7	0.5	0.4	0.5	3.7	4.2	6.3	3.7
Latin America & Caribbean	9.7	11.8	10.9	11.3	11.3	10.7	10.5	9.5
Middle East & North Africa	5.1	3.8	3.2	2.3	1.6	2.0	2.6	2.4
South Asia	51.5	46.8	45.0	41.3	40.1	36.6	32.2	31.3
Sub-Saharan Africa	41.6	46.3	46.8	44.6	44.0	45.6	45.7	46.9
Total	40.4	32.8	28.4	27.9	26.3	22.8	21.8	21.1

Source: World Development Indicators 2005.

Beck, et al, (2005) saw a strong correlation between poverty and lack of financial access. Similarly, the Commission for Africa Report, 2005, found levels of financial exclusion as high as 90 percent in African countries. Basu et al., (2004) found that in Ghana and Tanzania only 5-6 percent of the population had bank accounts. Given the scale of poverty in developing countries, and arguments that microfinance can be an effective strategy in poverty alleviation (Commission for Africa, 2005; Khandker, 1998; World Bank, 2005), there is

striking international variability in its take-up. Nowhere is the task of alleviating poverty more urgently required than in SSA (Table 1.1), where microfinance needs to move from its initial promising start to sustainable large scale operation in order to deliver long term inclusive access to financial services to the poor.

1.2 Introducing the research

Microfinance[2], the provision of small size loans and other financial services to low income households, is often seen as a key recent innovation in terms of means of outreach to the poor and vulnerable (Montgomery and Weiss, 2006). It is an effort to counter the effects of credit market failures that effectively exclude many potential borrowers from markets (Aryeetey and Pokuaa Fenny, 2006). It has become a widely acknowledged approach to alleviating poverty. Its central premise is that the lack of access by the poor to credit constitutes one of the most critical impediments to poverty reduction and broad-based development. However, microfinance activities are more known in Asia and Latin America than in SSA[3]. As Mosley and Rock (2004) have also noted, most evaluations to date relate to the same South Asian context while regions like the SSA remain underresearched. In addition, there are fewer case studies of microfinance failures themselves (Fisher (2002). Currently there is more microfinance diffusion, provision and practice in Latin America and Asia, but not SSA. Evaluations of microfinance projects throughout Africa otherwise suggest that they have been less successful (Aryeetey, 1998). The microcredit

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[2] "Microfinance" is the supply of loans, savings, money transfers and other financial services to very low-income people. Microfinance institutions (MFIs) refer to a growing number of specialized financial institutions that use innovative delivery methods to extend the financial services market. Microfinance institutions consist of organizations and agents that engage in relatively small financial transactions using specialized, character-based methodologies to serve low-income households and others who lack access to the banking system (Jurik, 2005). They may be informal, semi-formal (that is legally registered but not under the central bank regulation), or formal financial intermediaries. This thesis focuses on semi-formal intermediaries.

[3] The focus on sub-Saharan Africa naturally excludes the Arab countries of North Africa that are often identified with the Middle East. Africa in this study will mainly be used to refer to SSA countries.

Summit Campaign Report (2005) showed that in 2004, Asia had the highest number of microfinance institutions (MFIs) and clients compared to the other regions (see figure 1.1 and 1.2)[4]. At an institutional level, the numbers of borrowers reached by microfinance programmes in Africa are lower than figures for successful institutions in Asia and Latin America. In Kenya, for example, less than 700,000 out of an estimated 9 to 10 million poor can access microfinance (Hulme, 2000). In Zambia, access to MFI services is estimated at less than 100,000, in a country where 68 percent live in poverty (DFID fact sheet, 2006).
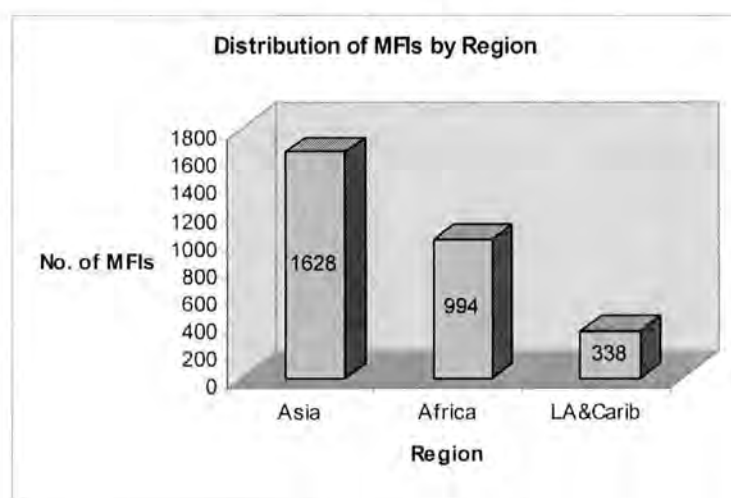
Figure 1. 1 Distribution of MFIs by Region

Source: Compiled from Microcredit Summit Campaign Report 2005, p.26

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[4] These statistics compiled by the Microcredit Summit Report exclude MFIs that did not submit information in 2004. However, these only accounted for 10 percent of all the client population reached. CETZAM and PRIDE Zambia-the institutions under study are both listed as having submitted data (Summit Report, Appendix 3, p. 54).

Distribution of Clients by Region

No. of clients reached (millions)

Asia	81
Africa	7.02
LA&Carib	3.9
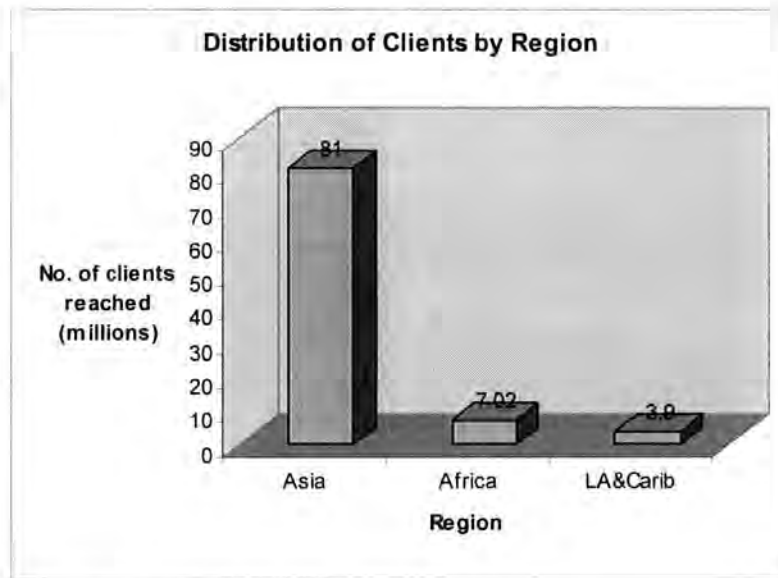
Region

Figure 1. 2. Distribution of Clients by Region

Source: Compiled from Microcredit Summit Campaign Report 2005, p.26

The contrast that figures 1.1 and 1.2 present is equally striking. As figure 1.1 shows Africa has half the number of MFIs in Asia, but reaches out to a population of less than 10 million (figure 1.2). Why is this so, given that more than 85 percent of African MFIs use the Asian group-based methodology?

In examining why MFIs in SSA have not evolved and performed as expected, most studies have attributed this in part to the sparse population in rural areas (though most MFIs are urban based, in particular in Zambia), high operational costs and other institutional constraints to expansion (Baumann, 2004; Mukama, et al., 2005; Nissanke, 2001; Volschenk and Biekpe, 2003). Others believe it arises from inappropriate lending methodologies (Pitamber, 2003; Wright, 2000) and inadequate financial and legal frameworks (Maimbo and Mavrotas, 2003; Mwiinga and Meagher, 1999). Consequently, research has tended either to focus on product diversification, credit technologies and methodologies which allow microfinance institutions to expand financial services to the poor while achieving financial sustainability, or on the employment and income generation impacts of credit (Aghion and Morduch, 2000; Bebbington and Gomez, 2006;

Deubel, 2006; Morduch, 1999). Likewise evaluations of microfinance programs pursue questions of financial sustainability, efficiency, scale of operations and changes in household income. Fernando (2006) among others has argued that many positive claims about microfinance are based on simple quantitative indicators, such as numbers of borrowers, lending institutions and loan repayments. This is understandable where the interest of many economic studies is less to explain the process than the subsequent outcomes of microfinance, and thereby justify continuing financial and policy support for it. In addition, much research about microfinance is investment related, and the literature has an underlining tone of advocacy. Important as these might be to continued funding and development of sustainable MFIs, they often fail to address grassroots perspectives. So, despite all the effort devoted to impact studies, less attention is given to the organizational and social processes through which the outcomes they report are first achieved. Microfinance is not just about outcome measures. It is also about understanding processes (Jurik, 2005). In other words, these studies are not equipped to explain the *how*, and *why*, type of questions which need to be posed about it. How, then, does microfinance actually work? What can explain its variable take-up? This thesis asks such questions of microfinance, in particular of microfinance development in Zambia.

1.3. Motives of the Study

Interest in how microfinance works, and in Zambia in particular, was motivated, firstly, by the proliferating literature during the 1990's and early 2000's, and growing global interest among organisations such as the World Bank, IMF and United Nations. The past two decades have seen the emergence of powerful new methodologies for delivering microfinance services, especially microcredit. Much of this has been pioneered by Non-Governmental Organisations (Hulme and Mosley, 1996; Nissanke, 2001). Zambia itself has very high poverty levels (see chapter 3) and yet knowledge of its microfinance sector remains limited (Musona and Coetzee, 2001). Donor funded microfinance institutions have not

been established long, with most microfinance programs starting 1994-2001. Furthermore, despite the multiplicity of donor agencies that fund microfinance programmes (e.g. SIDA, DFID, USAID and CARE); there is limited knowledge except for a few internal evaluations prepared by donor agencies and microfinance institutions themselves. Many evaluations were commissioned by donor agencies (seeking to make a case for microfinance) and thus their purpose needs to be scrutinised. Microfinance in sub-Saharan Africa is an emerging but under researched sector. SSA itself is difficult to study because of this lack of reliable research (Lafourcade et al., 2005), while certain data do not enter the public domain at all. Individual evaluation studies have tended to be concentrated in two main regions – East and West Africa. Overall, there is a lack of research from sub-Saharan Africa (Copestake, et al. 2001), but an increasing need for it.

This research therefore argues that orthodox economic models of cause and effect which link project inputs to outputs and impact, although important, are not fully adequate for understanding and managing the processes of microfinance in action. This is because they neglect the work of microfinance itself from grassroots perspectives, in particular, loan officers and their clients. As an alternative, this research proposes a framework that incorporates the 'intervening action' of microfinance as 'a lens' through which other key factors also account for its variable take up.

Relatively few studies have concentrated specifically on fieldworkers in spite of their grassroots importance (Ahmad, 2000, 2002; Baumann, 2004; Goetz, 2001; O'Reilly, 2004). Less is known about loan officers and their potential to shape the outcomes of microfinance. Outside Bangladesh and South Asia, little knowledge exists about the role of fieldworkers/loan officers in group-based microfinance. This research therefore concentrates upon how microfinance actually works from the perspectives of loan officers and clients. In light of rising expectations for microfinance as an anti-poverty strategy, it is important to

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understand the actors who facilitate any such process of 'empowering' the poor. This research provides insights into the actual work of loan officers who implement policy and directly interact with clients of microfinance institutions.

1.4. Research Aims and Objectives

The study is concerned to understand why microfinance in SSA and, in particular, Zambia has not yet evolved as expected, let alone realized its full potential. It asks why many microfinance institutions struggle with client outreach in the midst of acute poverty. In doing this, the study adopts a "bottom-up" (not just "top-down") perspective to understanding the process of microfinance and focuses on the loan officers who mediate the relationship between clients and the organization. It aims at developing an interpretive view rather than solving any one particular problem. To meet this aim, the thesis has four objectives:

(1)   To explain the variable-take up of microfinance in Zambia by examining the process of microfinance in the related broader context.

(2)   To understand the actual role of loan officers at the interface with clients, particularly the factors that 'enable' or 'constrain' such interactions.

(3)   To explain why loan officers and MFI clients interact as they do and how this affects microfinance performance.

(4)   Develop an alternative theoretical view of microfinance that better explains its variable development.

1.5. Specific Research Questions

To achieve the main research objectives, this research will seek to answer the following questions:

1. Who are the loan officers and what motivates them to seek/do such developmental work?
2. What roles do field workers/loan officers play in the process of microfinance?
3. What is the nature of loan officer-client relationship?
4. How might the personal characteristics of a loan officer enable or constrain their interactions with clients?
5. How do loan officer and clients themselves construct the nature of the microfinance work?
6. How do loan officers adapt to competing expectations of their clients and management?

1.6. Methodology

A key argument of this research is that, rather than just take a top-down and managerial perspective, a 'bottom-up' perspective can also offer important perspectives upon 'real world' microfinance development. Loan officers need to be understood in terms of what they observably do as well as what they and others claim, which here meant interviewing them as well as observing their interactions with clients and each other.

The chosen research methodology followed an inductive and qualitative approach which recognizes that actors' interactions have the potential to shape practice in ways which are not always fully measurable. This research therefore draws from constructivist and interpretive paradigms and a relativist ontology which acknowledges 'multiple realities'. Such frameworks focus on processes

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by which meanings are created, negotiated and sustained. The research seeks to demonstrate trustworthiness through credibility, transferability, dependability, and conformability in data.

1.7. Contribution to Knowledge

As noted above, there is limited understanding about how microfinance works in Africa, especially where research has been confined to a discussion of institutions themselves and lending methodologies. This study identifies and fills a theoretical and empirical gap, by highlighting the actualities of microfinance and the importance of loan officers to its diffusion. In contributing to knowledge, it argues that loan officers are so critical at the grassroots that, without an appropriate field work culture, microfinance does not fully embed whatever its original design. The implications for microfinance development are that existing knowledge could be misleading if it misses out other interaction variables and the voice of the actors who deliver it. Similar arguments have been raised concerning 'accountability to the poor'. Goetz and Jenkins (2005) for example, argue that, unless the poor are taken more into account, and are able to participate in exacting accountability themselves; conventional accounting for better development outcomes could be flawed. This research therefore argues that what we know about sustainability and diffusion of microfinance could also be flawed if it is so dependent on the performance of loan officers who hitherto have been peripheral to research findings. The study therefore represents a departure from current preoccupation with the *outcomes* of microfinance. To understand how certain promising schemes fail, and tone down actors' varied expectations, means incorporating a 'bottom-up' perspective. Seeing microfinance from the perspectives of loan officers and clients informs our understanding of the difficulties of implementation, and makes its potential more difficult to realize than any simple 'win-win' picture can acknowledge. The research therefore contributes by illustrating and explaining how, and why, in practice microfinance take-up is so variable across different regions.

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Less is known about group-based microfinance in urban areas. The presumption that poverty in sub-Saharan Africa (SSA) and other developing regions is a rural phenomenon (World Bank, 2004, 2005, 2006) explains why so little attention has been given to understanding how microfinance works and adapts to urban relational dynamics as opposed to those of rural populations. Poverty is an increasingly urban concern in SSA (Mukama, et al., 2005; Solomon, 2003), and yet perspectives about how microfinance works, and also possibly diffuses, are still informed by other studies undertaken in rural South Asia, especially Bangladesh and to a lesser extent Latin America. All these have different national cultures making complete transferability of practices untenable. This thesis turns attention to Sub-Saharan Africa – a key emerging area for future microfinance development.

In contrast to other studies, this research has applied the concept of emotional labour (Hochschild, 1979) regarding the nature of loan officers' work and their interactions with clients. Microfinance at the grassroots is revealed to be emotion laden (Ito, 2003; Rahman, 1999) and loan officers who directly interact with the poor face emotional issues that need better understanding if performance is to be enhanced. In addition, because of its grassroots focus, this research aims to provide useful insights into clients' group dynamics by using an accountability framework. This brings a very insightful perspective to understanding why certain types of accountability can be counterproductive within solidarity based groups (Dixon et al., 2006), making 'local' participation and 'bottom-up empowerment' even more difficult to realize.

Finally, this is the first detailed study to take a grounded micro perspective approach to understanding microfinance processes in sub-Saharan Africa. In particular, the research addresses a country (Zambia) and a topic (Loan officers) that is relatively under-researched, and presents evidence and insights that add to the existing literature.

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1.8. Structure of the Thesis

The contents of chapters 2-9 are now briefly presented. Chapter 2 is divided into two parts. The first (2.1 to 2.5) presents a review of microfinance on selected changes and developments since the 1990s. It begins by locating microfinance as a global strategy for poverty reduction and a means to providing access to financial services for the poor. It later offers a critique of key themes and debates in microfinance development. The second part (2.6 to 2.9) reviews the literature relevant to field workers and identifies its limitations, and, hence, provides a rationale for this research itself.

Chapter 3 aims to contextualize the research by providing a brief comparative overview of inter-regional differences in the development of microfinance, with a view to justify the focus on SSA. It also provides a brief socio-economic background of Zambia and the environment in which microfinance evolved there. It presents an introductory overview of the actual organisations concerned and ends with a review of previous research and other literature to establish the basis for the current study.

Chapter 4 describes the field research design and methodology itself. It explains the specific methods chosen to generate the data necessary to address the key research questions. The chapter reflects on the researcher's experiences of conducting the study, particularly how this eventually led to a reassessment of its methodological assumptions, and other issues relating to dilemmas encountered. It also provides an overview of how the data was analysed with the assistance of QSR NVIVO, a computer software programme designed to assist in the analysis of qualitative data. This section is provided to aid transparency and make it clear how themes were actually developed.

Chapter 5 presents a profile of microfinance loan officers at CETZAM and PRIDE Zambia. In particular, it emphasizes their educational qualifications, age

structure and gender and also argues that their personal characteristics can both enable and constrain their interactions with clients. It outlines their motivations for doing this work and their perspectives about microfinance fieldwork. It then illustrates how the social positioning of loan officers, their limited prior experience in NGO developmental work, and the orientation received upon their entry shaped and explained the ways in which they understood and related to their clients. This chapter illustrates how working among the poor clearly challenges many NGOs/MFI loan officers.

Chapter 6 discusses the issue of social relationships and practice of group-based microfinance. It examines interactions between loan officers and their clients and also between loan officers and their superiors, to understand the factors shaping their emerging relationships. The chapter then situates expectations about relationships in the specific cultural context, especially relationships of patronage. The chapter illustrates important issues about trust and reciprocity amongst actors and later shows how mistrust variously undermines 'enabling' relationships, the facilitative work of loan officers, and thus inevitably how microfinance ultimately diffuses. The chapter argues that microfinance is social, and that sustaining relationships is as consequential to loan officers (and to microfinance institutions) as the repayment of loans.

Chapter 7 explores the central role of loan officers', clients' and own judgments of their work, their field experiences and the challenges faced in adapting to competing demands upon them. The chapter starts by contrasting the institutional, and loan officers, and clients' own perspectives. It then examines how understandings of loan officers' role were created and interpreted by managers in CETZAM and PRIDE Zambia. It illustrates the dissonance that occurs when loan officers pressured to meet repayment targets start to act more as 'debt collectors' than facilitators or 'enablers'. It highlights mismatches between the conceptualisation of groups and the actualities of those groups, which did not necessarily work according to group methodology assumptions,

and had other unintended outcomes. The chapter explains the strategic position of loan officers in the processes of microfinance and argues that how loan officers perform is not necessarily driven primarily by clients' interests, but also by the exigencies of the organisations, and their need to secure their own jobs.

Chapter 8 presents the microfinance action approach as a possible theoretical framework that could incorporate more 'bottom-up' perspectives hereafter. It then identifies key emergent themes based on the evidence which recognizes the complexities of how microfinance works. These themes are set against existing knowledge of microfinance and the role loan officers play in facilitating the (dis) 'empowering' of the poor within its framework. In addition it illustrates how this research relates to other work undertaken in different regions-in particular, South Asia.

Chapter 9 provides the main conclusions to be drawn from the study, showing how the thesis aims to contribute to knowledge about the variable international take-up of microfinance. It also considers the implications for microfinance development and practice based on its own empirical findings. The chapter concludes by outlining possible future research directions.

1.9. Scope of the study

The study does not directly address issues of the dynamics of how groups are originally formed (see Marr, 2002 on group dynamics). Equally, the focus is not on lending methodologies, which have already received much attention (Snow, 1999; Bhatt and Tang, 1998; Painter and MK Nelly, 1999). Other detailed debates on women empowerment (Goetz, 1996; Johnson, 2004; Mayoux, 1999, 2001, 2002; Rahman, 1999) and outreach to the poor (Hulme and Mosley, 1996; Rhyne, 1998; Woller et al., 1999; Conning, 1999) are also outside its immediate scope.

Secondly, the research was not an evaluation study. It did not aim to make a judgment about loan officers' successes and failures nor does it prescribe solutions to problems. In short, this research departs from the orthodox managerialist evaluation view (Mosse, 2005) which has dominated previous microfinance studies, and looks towards relationships and interactions to explain microfinance at work.

Chapter Two

Overview of Microfinance

2.1 Introduction

This chapter examines selected changes and developments in microcredit since the 1990s and the questions that these raise. It serves two main purposes. It begins by defining microfinance in relation to poverty alleviation, then situates it within a broader view of finance and development, and offers a critique of key themes and debates about microfinance development. It then reviews the theory and research relevant to field workers themselves on the basis that the current understanding of microfinance cannot adequately explain its variable international take-up without incorporating these other perspectives.

Microfinance[5] is defined as the provision of financial services such as deposits, loans, payment services, money transfers and insurance to low-income, poor and households otherwise excluded by conventional financial institutions (Montgomery and Weiss, 2005; Rhyne, 2001; Weber, 2004). It consists of short term lending and recycling what would otherwise be counted as very small amounts of money. It is also associated with helping empower the very poor to account properly and independently for their small businesses and thus manage their livelihoods better. It is also strongly associated with lending to women who, as well as being over-represented among the world's poor, have arguably proved more reliable borrowers than men (Ahmad, 2002; Elyachar, 2002; Hulme

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[5] "Microcredit" involves the provision of collateral-free small loans to jointly liable people for purposes of income generation and self-employment. "Microfinance" is a more recent concept than "microcredit". It is the provision of a range of financial services in addition to credit, such as options for insurance schemes or opportunities to save. Microcredit programmes are increasingly complemented with microfinancial services. 'Microfinance' has now become established as the popular terminology to reflect this complementarity (Weber, 2004). For the purpose of this thesis, the term 'microfinance', is used unless citing from other sources.

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and Mosley, 1996; Johnson, 2004; Mayoux, 2002; Prahalad, 2005). On the other hand, poverty alleviation is a long term goal of governments and key international institutions such as the World Bank and United Nations that seek more effective ways of reaching the poor. The importance of microfinance as a targeted strategy for poverty alleviation lies in its ability to reach the grassroots with financial services based more on a 'bottom-up' than 'top-down' approach for which Non Governmental Organisations (NGOs) [6] have been a 'favoured' institutional form.

As an innovative form of financial intermediation with the poor (ADB, 2000; Honohan, 2004; Nissanke, 2002), microfinance is in effect 'double tasked' to achieve specified developmental ends and goals through well regarded means such as group lending methodologies (Donaghue, 2004; Zeller, 2001), through which the poor can borrow money and mutually assure their own progressive empowerment towards independent survival and self-management (CGAP, 2000). With Bangladesh and South East Asia as its early proving grounds it was hoped that microfinance would overcome the limitations inherent in more orthodox development programmes by being a more 'joined up' initiative which was also accountable to the poor themselves. As it has diffused outside its original territorial proving grounds, and had been officially confirmed in the 2005 United Nations 'International Year of Microfinance', questions are still raised about how well it can transfer and translate elsewhere.

2.2 Situating Microfinance

Development specialists maintain that lack of access to external finance explains continuing poverty (Hermes et al. 2005; Kirkpatrick and Maimbo, 2002;

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[6] Non-Governmental Organisations (NGOs) encompasses a very heterogeneous group of organisations and is used synonymously with Community Based Organisation (CBO), Grass Roots Organisation (GRO) and Private Voluntary Organisation (PVO) to name a few (see Vikil, 1997). In addition, microfinance provision is highly diverse, using a range of different organisational structures from informal groups to mainstream banks, and from individual loans to group-based (Lafourcade, Isern, Mwangi and Brown, 2005).

Nissanke, 2002). Usually, the very poor have little or no access to loans from the formal banking system, especially when they cannot provide acceptable collateral. Women, in particular, have had less access to credit than men in many developing countries. Often, it is argued, investing in women will bring about a higher return in both the enhancement of human and physical capital than investing in men alone (Diagne, et al. 2000; Fernando, 2003; Goetz, 2001; Prahalad, 2005; Rutherfold, 2004). Women form the majority of MFI borrowers, and are disproportionately represented among the poorest of the world's population (World Bank, 2003) making them priority targets for poverty alleviation programs, while they are more likely to be credit-constrained than men, and have less power in household decision making (Hietalahti and Linden, 2006; Johnson, 2004; Kabeer, 2001; Mayoux, 2001, 2002). It has also been argued that women show more attachment to group-based schemes and are lower risk clients than men[7] (Charitonenko and Rahman, 2002; Coleman, 2005; International Labour Organisation, 1996; Isaia, 2005).

According to Montgomery and Weiss (2005), the poor's lack of access to credit is readily understandable in terms of lack of collateral, in addition to the various complexities and high administrative costs involved in dealing with large numbers of often semi-illiterate and innumerate individual borrowers. For instance, Tsai (2002) and Park, et al. (2003) report that women in rural China relied more on rotating savings and credit associations (ROSCAs) than men because their higher rates of illiteracy precluded them from applying for loans, and women also had less acceptable forms of collateral, while male credit officers almost habitually discriminated against them. Tsai found that 70 percent of those with borrowing experience of state banks were men (2002, p.108). Similar findings are reported in Hermes, Lensink and Menrteab's (2005) study in Eritrea which found that many rural poor originally lacked access to formal

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[7] Critics of microfinance (especially from the feminist perspective) describe the concentration of organisations on women not as a positive move towards empowerment, but rather an institutional measure to maximise repayment by utilising the vulnerability of women. See Cloke (2002) for detailed discussion.

finance, and turned to informal credit markets as an alternative. Several other studies (Ardener and Burman, 1995; Bastelaer, 1999; Mosley and Rock, 2004; Nissanke and Aryeetey, 1998; Schreiner, 2001) have documented similar trends in Africa where the use of informal finance such as that by ROSCAs and money lenders is still widespread.

To manage their livelihoods, the poor rely on loans from either moneylenders at high interest rates or friends and family, whose supply of funds is often limited. Microfinance programs are therefore praised for their ability to overcome traditional barriers to lending to the poor through innovative measures such as group lending and regular savings schemes, as well as the establishment of close links between clients and the field staff of the institutions concerned.

Historically, banks and other formal financial institutions left the poor to manage their own money, and were unwilling to lend because of the risks involved. Microfinance arose as a response to the problems of the official delivery of subsidised credit[8] to the poor (especially farmers). It primarily developed as a response to the inability or indifference of commercial banks and the formal financial system to serve these needs (El-din Nasr, 2002). It therefore served as an alternative to both banks, which in most developing countries serve only 5-20 % of the population (Basu et al. 2004; Gallardo et al. 2003), and also informal sources of finance such as money lenders. In principle it may be assumed that the key principle for microfinance development is the simultaneous closing of the gap between formal/nonformal finance (credit/money) provision and the passive/active economic citizenship (see table 2.1).

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[8] Adams and Von-Pischke, 1992; Hulme and Mosley, 1996; Johnson and Rogaly 1997), review an extensive literature on targeted credit programs of the early 1970s, and report on their poor performance, especially in developing countries. Many suffered from poor loan repayments and outreach to the poor was limited. The evidence points to serious flaws and failure to enhance the economic activity of the low-income poor as result of direct top-down intervention by governments and donor agencies.

THE CLASSICAL MODEL 1	THE NEO-CLASSICAL MODEL 2	THE NEW MODEL 3
Official/formal finance dominated	Formal/semiformal dominated	Multimodel (formal, semi-formal/informal)
Top-down/centralised	Top-down/responsive	Top-down/bottom-up (combination)
Control centred	Expansionist	'Joined-up'
Excludes nonformal finance	Absorbs nonformal finance	Integrates formal/informal finance
Restricted forbearance	Additional forbearance	Mutual forbearance
Minimal outreach	Further outreach	Full outreach
Exclusionary	Partial	Inclusive
Passive economic citizenship	Mixed economic citizenship	Active economic citizenship

Table 2. 1 Typical models of formal and nonformal finance

The table presents 3 ideal-typical models. The (orthodox) classical model proceeds top-down and can be centrally governed. The formal finance[9] perspective postulates a large 'forbearance gap' between it and informal finance at large. The gap arises because, from a formal finance standpoint, informal

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[9] For purposes of this discussion, formal sector institutions are regulated and licensed as financial intermediaries, usually comprising the central bank, commercial and merchant banks, development or other specialised banks, and non-bank financial institutions. The informal sector on the other hand, display great diversity but will represent those units that operate without regulation- such as money lenders, traders, ROSCAs and non –bank pawn brokers (Matin et al. 2002). Microcredit programmes managed by NGOs are often referred to as semi-formal, implying that they are legally registered and may be partially or cursorily regulated.

finance cannot be 'properly' controlled and trusted. Formal finance may privilege certain groups, but still actively exclude others.

Consequently, the classical model has been judged as deeply 'gendered' (Blake, 2006; De Goede, 2005) where women were not fully considered (in patriarchal society, women are required to have a husband or some other male relative cosign for a loan), because they were assigned to the informal finance sector. According to Prahalad (2005), the poor at the 'bottom of the pyramid' lack affordable "legal identity". Without it, "they cannot access services such as credit" (2005: 107). De Soto (2000) specifically documented how the problem of a lack of "legal identity" at the 'bottom of the pyramid' excludes many from being active economic citizens.

This exclusion is particularly evident in Africa, especially sub-Saharan Africa, where the formal financial systems remain bank-dominated (Izugbara, 2004; Nissanke and Aryeety, 1998). For example, Beck et al (2005) found that access to financial services worldwide (i.e. formal finance for these purposes) differed widely across 99 countries sampled. For example, in Ethiopia there was less than one bank branch per 100,000 people while Spain had 96. In Albania there were four loans per 1,000 people, while Poland had 774 loans. Basu et al., (2004) found that most of the poor population in sub-Saharan Africa had very limited access to formal financial services. For example they found that in Ghana and Tanzania, only about 5-6 percent of the population had access to the banking sector. In Uganda, only 8 percent of rural households had a bank account (Spencer and Wood, 2005). If 'access', and also actual use of 'formal finance', are conditions for active economic citizenship, then the poor often find themselves excluded from it. As a result they become passive economic citizens, and in effect socially marginalized. For many (especially women) there has been little prospect of anything other than passive economic citizenship. They have few rights, very limited access, and where access was available they could hardly afford credit, and were thus not taken seriously by formal financial

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institutions (Honohan, 2004; Mayoux, 2002; Read, 1997). Unless they are active economic citizens much formal finance effectively lies beyond them.

This is where microfinance and the 'new model' fit (see table 2.1). It works against financial exclusion and is seen as a link between formal and informal financial intermediaries (Claessens, 2006; Ghate, 1992; Matin et al., 2002; Zeller et al. 1997). The World Bank stated that, "...in financial markets women lack access to collateral largely because of gender norms surrounding women's access to property, and that microcredit programs through the use of alternative collateral, have overcome these constraints" (WDR, 2001, p. 173). Consequently, microfinance has emerged to fill the gap and has been promoted as a 'grassroots' or 'bottom-up' participatory approach[10] to alleviating poverty, which implies more participation of the poor themselves where they seek to control their own 'development' (Economist, November, 2005; Spencer and Wood, 2005). According to Fischer, 'the participation of the poor' and their 'taking control', marks it out from other anti-poverty policies, such as international aid and debt forgiveness, which are essentially top-down rather than bottom-up, and also have decidedly mixed outcomes (Economist, Nov, 2005). From the perspectives of the classical model, microfinance is constantly seeking to help those on the margins of the economy gain access to mainstream markets (Fisher, 2002, p.341) and consequently MFIs are moving from the margins of the financial system towards the mainstream.

Equally, from a bottom-up perspective, microfinance should encourage more active economic citizenship among selected groups such as women, by being more encompassing and trusting of the poor. This implies joint action and mutual forbearance. Accordingly, Godquin, (2004) argued that the primary objective of microfinance institutions was to provide financial services (credit

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[10] Modern microfinance was founded in Bangladesh in the 1970s and targeted the rural poor. It was initially promoted as a bottom up strategy to poverty alleviation. However, in many other countries, it has evolved top-down with the financial support of donors, and struggles to incorporate the participation of the poor. In practice microfinance is both top-down /bottom-up.

and saving) to the poor in order to reduce financial constraints and help alleviate poverty. Mayer and Rankin (2002), however, argued that the microfinance models advocated by mainstream donors like the World Bank 'respond more to lenders' concerns with financial sustainability than the borrower's, and may not be fully inclusive because the very poor cannot access microfinance services.

While it could be argued that microfinance originated from South Asia (Grameen Bank in Bangladesh is a cited pioneer), donors and NGOs in the developed countries have lately promoted it on such a vast scale that many NGOs in other developing countries have moved into this sector, following the availability of funding rather than their own competencies or mission (Townsend et al. 1999). Research into microfinance has consequently been 'donor driven'.

2.3. The group-lending model

MFIs typically employ a range of methods of providing basic financial services. The best-known approach is "group lending" pioneered by the Grameen Bank of Bangladesh and BancoSol in Bolivia (Cull et al., 2006; Ghatak, 2000). Other approaches use village banking and individual-based lending. The following discussion focuses on group lending and credit, since most MFIs in both Zambia and the sub-Saharan Africa are mainly group-based, and the prior literature has concentrated on credit. It should however be evident that non-credit financial services including savings and money transfers are also important.

The practice of group lending[11] as a lending mechanism has been emphasized by those seeking to understand how modern microfinance deals with information, enforcement and administrative costs (Hermes, et al. 2005). It highlights the techniques used to deal with 'information problems' such as moral hazard and

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[11] Other microfinance programs, such as BRI and BKK in Indonesia and others in Bolivia are based on individual-liability loans. Recent studies (Diagne, et al. 2002; Hermes, et al. 2005) show that most clients prefer individual loans to group loans.

transaction costs in credit delivery (Armendariz de Aghion and Morduch, 2004; Besley and Coate, 1995; Bhatt and Tang, 2001; Ghatak and Guinnane, 1999; Navajas, et al., 2003). Lenders in formal banking require collateral from borrowers to minimise their losses should the borrower default. Collateral also serves as a device for screening prospective borrowers to make sure they are going to repay. Unlike formal banking, this method uses self-formed groups that use social capital[12] as collateral to access credit and later assume joint liability for repayment of loans to group members. Matin (1997) describes joint liability as a cost-effective incentive for the borrowers to use the knowledge about each other in screening the "right" people, engaging in mutual observation, and exerting peer pressure for loan repayment. In other words, each member is responsible for payment of all members' loans and additional loans are not disbursed until payments are made. The approach also assumes that the poor are a much lower credit risk and that, under specific circumstances, they will repay small unsecured loans, using a lending methodology that relies on traditional and personal interactions among borrowers (Bastelaer and Leathers, 2006; Bastelaer, 1999).

The risk-minimisation methods adopted reflect those used by informal finance to solve information and enforcement problems. Their features include: (i) the use of groups in creating 'joint-liability', so that social pressure, collateral substitutes and other group dynamics motivate repayment; (ii) the adoption of progressive lending, frequent repayment schedules and compulsory savings to create incentives for repayment; and (iii) the levy of relatively higher interest

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[12] Robert Putnam (1993), who popularised the concept of social capital, defines it as "networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives". The World Bank (2001) also suggests that "social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Social capital is not just the sum of the institutions which underpin a society; it is the glue that holds them together." According to Rankin (2006), the potential of social capital theory lies in its recognition of social networks and associational life as resources for fuelling development from the bottom-up. Microfinance and the group-lending model are based on this understanding that the poor can access credit on the basis of their membership in self-managing "solidarity" groups. Other studies however, have documented the 'downside' of social capital (see Portes and Landolt, 1996).

rates to cover operational costs (Cull, et al., 2006; Nissanke, 2001). As with informal lending circles, also known as ROSCAs (Ardener and Bouman, 1995), it is here assumed that borrowing group members have strong, embedded ties, and are likely to know one another prior to group membership (Anthony, 2005; Hermes et al. 2005; Johnson, 2004; Morduch, 1999; Woolcock, 1998). Moreover, it is argued that while providing access to needed capital, group lending also helps build social capital (Light and Pham, 1998) through existing social networks amongst borrowers, but shifts the cost of screening, monitoring, and contract enforcement from the lender to the group itself (Bastelaer and Leathers, 2006). In principle, group lending may reduce the costs of screening, monitoring and enforcement (Bastelaer, 1999; Bhatt and Tang, 2001; Ghatak, 2000; Nissanke, 2001) and also the moral hazard behaviour of borrowers (Stiglitz, 1990; Varian, 1990), while also improving repayment rates. Success of the borrowing group is argued to depend upon what Woolcock (1998) labels as the "bonding" social capital between members. This might imply that, as they better trust and network with each other, they engage in more mutual risk-taking.

Certain studies (Diagne et al. 2002; Jain and Moore, 2003; MkNelly and Kevane, 2002), however, have found joint liability and group dynamics have less impact on repayment, and hence its role does not hold universally. Other studies contend that group lending can inhibit MFIs from reaching the poorest of the poor (Portes and Landolt, 1996; Wright, 2000). However, social networking connections among self-selected borrowers in group-lending schemes may well allow significant savings in the screening, mutual monitoring and enforcement. The importance of these horizontal relations in ensuring repayment via peer pressure is much debated (Bastelaer, 1999; Jain and Moore, 2003). Despite limited input from the grassroots (especially in under researched areas such as sub-Saharan Africa), the actual role played by loan officers (who act as intermediaries between clients and MFIs) in accounting for high repayment rates, where joint-liability is not mutually enforced by the group, is not clearly stated.

2.4. Major/Recent Developments

The 'microfinance industry' is now argued to be changing in concept, vision, practice and delivery. For instance, it is argued to have moved from charity to business, with the concept switching from microcredit to microfinance, while the vision has shifted from "provision of credit" to "access to financial services" (Economist, 2005; Harper, 2003; Littlefield, 2004; Rhyne, 2005). Observed practice on the other hand has changed from program microcredit to institutional microfinance (Fernando, 2003) with more opportunities for active private sector participation (Ahmed, 2005).

From its humble roots, microfinance has expanded considerably (Coleman, 2005). Although it started as small, non-collateralized loans, the term now covers a whole range of services, including savings, money transfers, payment services, and insurance. There is a trend towards a wider range of financial services, a move away from traditional group lending to individual loans and, in summary, a greater shift towards more 'commercialisation' of the sector (Bateman, 2003; Rhyne, 2005), especially in the Latin American case (Montgomery and Weiss, 2005).

Recently, other trends indicate a direction reverting to the classical model in table 1 – the private sector and orthodox banks such as Citigroup, HSBC, and ICICI of India are now becoming involved in microfinance (Economist, November, 2005; Montgomery and Weiss, 2006; Prahalad, 2005). As the International Year of Microcredit 2005 was commemorated, it was officially asserted that: "as we seek to expand access to financial services to the poor, the private sector will play a critical role" (Microfinance Matters, November 2005: 11). This argues that the 'commercially viable' MFIs which achieve both sustainability and greater outreach will ensure that the largest number of people have access to finance. These trends would ultimately reposition microfinance within the conventional formal financial sector because they share similar

philosophies and practices (Koveos and Randhawa, 2004; Montgomery and Weiss, 2006). This raises important issues of governance and asks whether the initial poverty reduction objectives will be subordinated to commercial criteria i.e.('mission drift') (Morduch, 1998; Woller, 2002a). The (re)incorporation of microfinance is seen as paradoxical given that the initial motive of microfinance was to serve poor borrowers without access to formal finance. Will the features of mutual forbearance and full outreach to the poor still characterise microfinance if it becomes more private? Microfinance has also recently diffused into Europe, where more official and private funded initiatives seek to fill the void created by others' reluctance to lend money to the poor or unemployed (Arnold, 2004). To serve the 'unbankable' segments of the population, MFIs have adopted a set of delivery mechanisms with 'innovative' contracts and incentives to minimize the risks concerned.

2.5. Key Themes in Microfinance Development

This section identifies key debates about microfinance development. Micro-credit is a 'buzzword' in some contemporary development debates. Key global institutions and actors, such as the World Bank, the IMF, bilateral development agencies and a broad range of NGOs have adopted microcredit as a targeted strategy for unresolved grassroots poverty reduction.[13] However, microfinance is characterized both by apparent widespread agreement on broad objectives, but multiple rifts about other key issues. The movement is linked by a common discourse for claiming concern for the poor (Woller, et al. 1999), but this may sometimes mask a bewildering variety of philosophical approaches, types of institutions and borrowers, and delivery systems that shelter uneasily together under the 'big tent' called "microfinance" at large (ibid, p.30).

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[13] There have been earlier attempts to assist the poor through the Small farms credit programs. Donors and governments heavily subsidized these microenterprise credit programs. This strategy was flawed and yielded disappointing results. Adams and Von Pischke (1992) provide an excellent analysis of the subsidized credit programs of the early 1970s.

The past two decades have seen the emergence of powerful new methodologies for delivering microfinance services, especially microcredit. Advocates have promised both to combat poverty and develop the institutional capacity of financial systems through finding ways to lend money cost-effectively to poor households, especially women (Adams, et al. 1984; Hulme and Mosley, 1996; Morduch, 2000; Woller, 2002; Kabeer, 2001; Morduch, 2000). However, there is limited consensus about certain issues concerning, for example: its impact, outreach to the poor, and empowerment of women and sustainability of microfinance institutions. These issues and debates are now considered.

2.5.1 Evaluation of Microfinance Programmes

Microfinance has provided substantial flows of credit to very low-income groups, or households, normally excluded by conventional financial institutions (Montgomery and Weiss, 2005). Two schools of thought have dominated leading debates about its impacts. The welfarists, who would ideally champion their value-added commitment to serve the very poor, frequently emphasise the depth of outreach (meaning the levels of poverty reached), and improvements in the material well-being of the poor. They are less concerned with the ends of banking per se than in using particular financial services as a means to alleviate poverty and hence support the use of subsidies. Their overall goal for microfinance is poverty reduction and empowerment of the poor. Grameen Bank in Bangladesh is considered to be an example of a widely replicated welfarist institution (Pal 1999; Woller et al. 1999). On the other hand, the institutionist approach focuses on creating financial institutions to reach clients who either are not served or underserved by the formal financial system[14]. Their emphasis is on achieving financial self-sufficiency, institutional scale and breadth of outreach (meaning numbers of clients) and not depth of outreach per se. They believe that

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[14] The two camps also differ in the designs of service delivery to poor populations. For example, institutionists tend to look on group-lending as a purely financial mechanism whereas welfarists tend to look on it as something more comprehensive- embracing aspects of "social intermediation". The practical implications of these views are exerting pressure on emerging MFIs in sub –Saharan Africa where group lending is more prevalent.

credit plays a facilitating and not a leading role in the process of economic development; therefore credit does not necessarily help most poor people enhance their economic condition (Hulme and Mosley, 1996; Morduch, 1998). This "financial systems" approach to microfinance, considers that the future of microfinance lies in profit-seeking institutions providing financial services to large numbers of poor clients. The institutionist position eschews subsidies of any kind and is supported by the Consultative Group to Assist the Poorest (CGAP) in the World Bank and USAID.

The microfinance 'industry' has lately been under increasing pressure to demonstrate results and impact. As a result, evaluation of microfinance programs is increasingly important as agencies, and particularly aid donors, have been formally required to ensure that funds are suitably spent and properly accounted for (Demirag 2004; Ebrahim, 2005; Goetz and Jenkins, 2005, Hillhorst, 2003; Hulme, 2000) and to prove the poverty reducing effects of microcredit activities (Gulli and Berger, 1999; Honohan, 2004; Montgomery and Weiss, 2005). That is, accountability and justification is a distinctive emerging feature of microfinance at the present time. This kind of impact evaluation, however, has itself drawn varied reactions, and also bears particular limitations. For instance, researchers differ over the extent to which access to microcredit affects borrower welfare (Hubka and Zaidi, 2004), and it is argued that many evaluation studies are only conducted by advocacy groups with a partisan interest in program longevity, while available resources do not permit comprehensive long term evaluations in any case (Buss, 1999). Still others note that evaluations are often drawn from the same South Asian context[15] and also Latin America, while regions such as sub-Saharan Africa remain less researched (Mosley and Rock, 2004).

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[15] More studies have been published particularly of the large programmes in Bangladesh (Amin et al. 2003; Khandker, 2003; Morduch, 1999; Pitt and Khandker, 1998). But with some exceptions [e.g. Diagne et al., 1996; Hulme and Mosley, 1996; Copestake et al., 2001] whose studies included MFIs from Africa. Overall, there is a lack of studies from sub-Saharan Africa.

2.5.2 Impact Assessment Studies

Traditional or mainstream impact assessment of microcredit programmes have usually focused on either the outreach and financial sustainability (Nissanke and Aryeetey, 1998) and the tangible socio-economic benefits of such programmes (Rahman, 2000). Financial sustainability and cost effectiveness have become "hot" evaluation issues and much of the success of microcredit has been linked to "credit performance", primarily in terms of high repayment rates and cost recovery (Gjerding, 2002). Studies of the socio-economic impact of microcredit often address issues such as microcredit impact on contraceptive use (Schuler and Hashemi, 1994), access to health care, children's education (Rahman, 2000), employment and not least women's empowerment (Mayoux, 1999, 2001).

2.5.3 Sustainability

Microcredit started, not as a 'business', but as a means of alleviating poverty and helping the poor create sustainable livelihoods for themselves. Its pioneers sought to help the poor rather than profit themselves. With the entry of for-profit organisations into the market, the public focus has shifted towards 'sustainable' MFIs and away from 'sustainable' livelihoods for the poor. With subsidies unfashionable, the goal is argued to be establishing financial institutions which are accessible to the poor, and which also ensure their own survival over the long term (Eversole, 2003; Rhyne, 2005), often implying that those microfinance institutions which follow the principles of 'good banking' will also be those that most alleviate poverty as well (Bateman, 2003; Morduch, 2000). Consequently, microfinance institutions, under pressure from donors, now focus on the most 'profitable' client segments in order to ensure high levels of repayment, and thereby assure their own sustainability. Empirical data is inconclusive about whether it is possible to have a sustainable microfinance programme which also reaches and assists very poor people. This is a challenge to emerging MFIs in sub-Saharan Africa in particular, with high poverty levels

(chapter one, table 1.1) and where the financial sustainability for MFIs is still donor dependent.

Sustainability is a term with multiple meanings ranging from the continuing ability to find and retain donors to the ability to cover all costs (Harper, 2003). Just how to define 'sustainability' and how to achieve it is problematic. Sustainability has been defined as the ability of an organisation to "sustain the flow of valued benefits and services to its members or clients over time" (Edgcomb and Cawley, in Woller, 1999: p. 42). This means MFIs should cover all its operating expenses (including loan losses and the cost of capital) entirely with internally-generated sources of income (Dunford, 2000). Put differently, sustainability means that the poor pay all the costs of the service (which may not necessarily correspond to the quality of services received). The expectation of donors such as the World Bank is that all MFIs should operate by global 'Best Practices' if they are to attract further funding itself indicates the extent of donor pressure and control [16].

There is little consensus on whether financial sustainability and/or poverty reduction should be the single overriding objective for MFIs. Some contend that, where microcredit programs disavow social intermediation, they also become more like other formal lenders, neglecting the very poor they were originally chartered to serve (i.e. goal displacement) (Ahmad, 2000; Buss, 1999; Montgomery and Weiss, 2005; Painter and Mk Nelly, 1999; Wright, 2000). For instance, Bateman (2003) found that for South East European MFIs to become self-sustainable or profitable, they had to move away from their original poor clients towards larger and more collateralized projects. In response to these reservations, Christen et al (2004); Rhyne, (2005) and Rutherfold, (2003) have argued that good microfinance practice combines both outreach and

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[16] Webster and Fiddler (1996) question the current assumption of global 'best practice' that full financial sustainability can be achieved in all circumstances and that donors, in pursuing the sustainability goal, may actually push MFIs into making unacceptable trade-offs by scaling down their operations in remoter locations and working with better-off clients.

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sustainability, and is best embodied in the micro-finance bank model. They see sustainability not as an end in itself but rather a means to the end of improved social welfare. Evidence suggests that few microcredit programs have yet achieved sustainability (Harper, 2003; Hulme and Mosley, 1996; Snow, 1999; Buss, 1999) as measured by the widely used subsidy dependence index.[17] Also few operate at a level where they do not need donor capital or services, with some programs coming close to achieving sustainability, such as the Grameen Bank and BRI Unit Desa System of Indonesia and Banco Sol in Bolivia. However, others have cautioned (Nissanke and Aryeetey, 1998) that the programmes selected for the study were not typical of those which remain heavily donor funded and subsidy-dependent. Sub-Saharan Africa programmes have themselves incurred high costs (Bagachwa, 1995; Isern et al. 2005).

Notwithstanding its merits, the problem with the financial sustainability argument lies in its success criteria often based on the number of loans disbursed and high repayment rates, and not necessarily whether sustainable self-managing client groups and enterprises have been established. The continuing debate on sustainability has excluded the perspectives of the key income generating players (the loan officers or fieldworkers) responsible for the outreach 'possibility frontiers'. How, for instance, can MFIs become sustainable if these grassroots groups are not so themselves? This suggests a tension between a focus on poverty and a commitment to sustainability (Hollis and Sweetman, 2004; Fisher and Sriram, 2002; Paxton, 2002; Richardson and Langdon, 1998), while others (Fowler, 1997; Nissanke, 2002) however caution that the tension between the two targets directly translates into serious pressures and stresses on both microfinance institutions and their clients.

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[17] The subsidy dependence index was developed by Yaron (1992) as a measure of the financial sustainability of financial service institutions. The index quantifies the extent to which the lending interest rate would have to be raised to cover all operating costs if public subsidies received by the program were stripped away.

2.5.4 Client Outreach

Microfinance may thus fail to reach the 'poorest of the poor' (Donaghue, 2004; Honohan, 2004) and has been found to have real difficulty in reaching the very poorest, compared with those ranked just above the poverty line (Green et al., 2006; Hulme, 2000; Kirkpatrick and Maimbo, 2002; Mosley and Rock, 2004). For instance, several studies in South Asia (Ahmad, 2003, 2000; Daru and Churchill, 2003; Goetz, 2001, 1997; Fernando, 2003; Hashemi, 1992; Montgomery, 1996; Rahman, 1999) show that large NGOs in Bangladesh did not reach the poorest[18] in their efforts to expand geographical coverage. In short, they drive more for "breadth" than "depth". It is estimated that in Bangladesh only 18.4% of the poor are reached while microfinance services in Brazil have been limited to 0.4% of the poor (World Bank, 2003). Navajas et al. (2000) found that five Bolivian MFIs reached not 'the poorest of the poor, but only the richest of the poor'. Hulme (2000) reported that many MFIs in East Africa had a high proportion of clients who were non-poor and that the poorest women were not reached, even when this was their stated aim. In Zambia, those with access to MFI services have been estimated at a mere 80, 000, while 70% of the 10 million population still lives in poverty, 54% on less than US$1 per day (AMIZ, 2004; Musona, 2004).

Critics therefore claim that many MFIs worldwide do not reach very far 'down the poverty spectrum' (Cohen and Sebstad, 2000; Economist, 2004; Fernando, 2003; Hulme, 1999; Navajas et al. 2000; Wright, 2000; Zeller and Sharma, 2000). The findings are therefore mixed. As Hulme (2000, p.7) observed:

> "At one end of the spectrum are studies arguing that microfinance has very beneficial economic and social impacts (Khandker, 1998; Otero and Rhyne, 1994; Hashemi et al, 1997). At the other are writers who caution against such optimism and point to the negative impacts

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[18] Daru and Churchill (2003) show that most MFIs in South Asia do not work with the poorest segments, but rather focus on those better off –sometimes referred to as the "middle poor". In Zambia, MFIs are now targeting what the loan officers referred to as the "working poor" (Field notes, 2004). This shift was partly explained by sustainability arguments.

that microfinance can have (Adams and Von-Pischke, 1992; Buckley, 1997; Montgomery, 1996). In the middle is the work that identifies beneficial impacts but argues that microfinance does not assist the poorest, as is so often claimed (Hulme and Mosley, 1996; Mosley and Hulme, 1998)".

Harper (2000) and Honohan (2004) therefore question the common assumption that microfinance is necessarily about working with the poor and the poorest, at least until MFIs provide clear evidence that they really do so.

2.5.5 Empowerment of Women[19]

Women are thought central to poverty alleviation as the vanguard of social transformation itself (Prahalad, 2005). They comprise a majority of microfinance borrowers (Sherraden, et al., 2004). Consequently, a long term debate exists about whether, and to what extent, microfinance overcomes the constraints of formal finance and specifically enables female empowerment (Holvoet, 2005; Johnson, 2004). Research into female empowerment is often contentious because observers differ about what is meant by it, how to achieve it, and how to measure it (Kabeer, 1999, 2001; Mayoux, 2001, 2002; Malhotra, 2003). Kabeer (2001) defined empowerment as 'the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them'. The World Bank's Empowerment source book however officially defined empowerment as "the expansion of freedom of choice and action to shape one's life".

In the microcredit literature, women's empowerment is generally expressed by indicators such as: control over loan use, participation in decision making, increased mobility, increased voice over family planning, less violence against

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[19] This is a simplistic presentation of the large impact assessment field. A detailed presentation is beyond the scope of the thesis. See Fernando (2006) and Kabeer (2001) for a comprehensive review of evaluation studies on empowerment. For a discussion of microfinance and empowerment in Africa, see Mayoux (1999).

women, and enhanced contribution to family income (Coleman, 2005; Hashemi et al. 1996; Pitt and Khander, 1995; Townsend et al. 1999).

Many diverse and contradictory findings have been presented concerning the empowerment potential of loans to women (Goetz and Sen Gupta, 1996; Kabeer, 2001; Khandker, 1998; Rahman, 1999; Schuler and Hashemi, 1994; Schuler et al. 1996, 1996a; Woolcock, 2001; Mayoux, 2001). One set of studies conclude that microcredit does empower women in terms of their ability to make purchases, involvement in major family decision making, participation in public action, mobility and political awareness (Coleman, 2005). Another extensive literature, however, finds that claims of empowerment should be cautiously interpreted (Hunt and Kasynathan, 2001; Izugbara, 2004; Mahmud, 2003; Schuler, et al., 1998). Yet another (Fernando, 2006; Deubel, 2006) argues that microfinance has failed to fulfil its promise for women's empowerment. These differences basically reflect variance in the judgement of what exactly the concept of women's empowerment covers, and what kinds of changes would constitute evidence of genuine empowerment (Brett, 2006; Gjerding, 2002).

Kabeer regards these diverging conclusions as both apparent and real, while also reflecting differences in methodology, particularly whether findings are either qualitative or quantitative. Another factor concerns the difference in the particular questions posed. While some question the *processes* of loan use, others examine the *outcomes* of access to loans (Kabeer, 2001: 66-67). In addition, some suffer from selection bias. Existing evidence is considered to be regionally biased, patchy, and also limited in the depth of questions asked and/or based on relatively small scale samples. So, outside Bangladesh, there are few detailed studies (Deubel, 2006; Holvoet, 2005; Johnson and Kidder, 1999; Mayoux, 2001), and many lack testimonies from women themselves about the impact of credit on their lives (Kabeer, 2001).

2.5.6 The Limits of Impact Studies

Studies of the impact of credit for poverty elimination point to the difficulties in impact assessment (Honohan, 2004; Meyer, 2002; Premchander, 1999). Program managers and their funders may display simple linear thinking about the consequences of their actions. Inputs, in terms of people, resources and activities, are assumed to lead to outputs which are expected to have tangible impact on targeted groups (Johnson and Rogaly, 1997). Emphasis is placed on measuring changes in income levels following credit programmes. This approach raises a number of methodological questions especially where the impact of credit on poverty is being assessed (Armendariz de Aghion and Morduch, 2004; Honohan, 2004; Nissanke, 2001; Woolcock, 1999). Actual loan use, given the fungibility of cash (Hulme, 2000; Johnson and Rogaly, 1997) and its controls, and also baselines for measuring change, are all problematic. With all this, causality is difficult to establish because of the influence of other factors on lives and livelihoods and the problem of sample selection bias.[20] In addition, there has not yet been any consistent regional pattern in reported findings. For instance, MkNelly and Dunford (1998) found a much more positive program impact in Ghana, while another thorough study by Barnes et al. (2001) for Zimbabwe reported disappointing impacts.

The lack of consistency could be attributed to the very multiplicity of indicators (and differing methodologies), which makes it difficult to draw systematic comparisons across the various impact studies. Impact assessment methodologies have in some cases moved from being quantitative and positivist to qualitative and exploratory (Copestake, 1996; Hulme, 1999; Baker, 2000). This further methodology claims to recognize subjectivity in evaluation,

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[20] Few studies have made satisfactory attempt to correct for this major problem. Thus Coleman (1999) notes that most existing impact studies are donor driven, nonacademic and are of a descriptive nature or suffer from the selection bias problem. Littlefield, et al., (2003) have also observed that, while the general pattern of results sheds valid light on the question of impact, few studies include fully rigorous controls for selection biases. Armendariz de Aghion and Morduch (2004) share similar views and add that, anecdotes are culled to show the potential of microfinance.

recognize different interpretations, and thus understand that respondents' own accounts add value and meaning to any numbers about them (Woolcock, 1999; Copestake, 2002). On the whole, Montgomery and Weiss (2005) conclude, 'studies have either been inconclusive or provide less convincing results' (p. 16). Yet despite such uncertainties and the tendency to highlight significant (and therefore positive) findings (Honohan (2004), microfinance continues to be promoted as an effective poverty reducing development tool.

In summary, much focus has been on the range of institutional arrangements pursued in different organizations and countries, and in turn numerous studies have attempted to assess the outreach and poverty impact of such programs. Consequently, research has in many cases (especially where donor funded) proceeded as though the actual process of microfinance at work did not itself particularly matter for the outcomes subsequently achieved. For instance, feedback from the grassroots through the fieldworkers' perspectives is not disclosed within the input-output 'development' approach. As such, less is known about how microfinance occurs, and how it transfers to situations such as SSA for example. This highlights the following issues. Microfinance institutions provide at best marginal support for the very poor and any link between microfinance and women's empowerment is still tenuous. Evaluations of group-based microfinance programs have been dominated by concerns about impact assessment, program replications, and financial sustainability. Evaluation studies aim to enable donors and managers to appreciate the extent to which programme inputs produce the predicted results. The approach has often been deductive without necessarily explaining either why or how certain particular outcomes were achieved. Moreover, this research can be ambiguous and contradictory due to methodological problems, and also the emerging diversity of microfinance practices themselves.

Despite the effort devoted to generating impact and evaluation studies, research can therefore neglect the ongoing work of microfinance itself, and place more

emphasis upon its founding strategy than its subsequent implementation. Research may neglect field workers or loan officers (Ahmad, 2000; Goetz, 2001, 1997; O'Reilly, 2004) and how they interface with poor people (Holcombe, 1995; Jackson, 1997). A well-appreciated but poorly articulated feature of group lending concerns the role of loan officers. A number of issues concerning what loan officers themselves do at this most critical interface have arguably not been sufficiently addressed before, but are still potentially critical for performance in frontier territories such as Africa, where microfinance still needs to progress from what are now simply promising beginnings. A loan officer is often the actor enabling 'development on the ground' and the critical link between microfinance institutions (MFIs) and the poor clients, making them central for actual service delivery (Ahmad, 2002; Goetz, 2001; Isaia, 2005; O' Reilly, 2004). Because they mediate transactions between MFIs and borrowers, loan officers are thought to implement policies in ways that imply in-depth understanding of clients and informed empathy for successful lending (Ahmad, 2002; Chua, 1998; Goetz, 2001; Holcombe, 1995; Jain and Moore, 2003; Pawlak, 2002). In short, while it is asserted that "the heart of MFI lies with its fieldworkers" (Chua, 1998), that argument has not yet really been fully examined and substantiated.

2.6 Frontline Workers' Role

While there is considerable research on impacts of microfinance, there is limited research which addresses loan officers specifically. In seeking to examine field workers in microfinance, an interdisciplinary literature search has been necessary. This section therefore draws on studies which have explored the role of frontline workers or professionals in such diverse areas as: family planning programmes (Simmons and Elias, 1994; Andaleeb, 1996), social work (Ellis, Davis and Rummery, 1999; Gibbs, 2001), extension agents in agricultural work (Dutta Das, 1995), and bank lending officers and the lendee (Coulson, 1997; Berger and Udell, 2001; Javier, 2003; Jurik, 2005; Lehmann and Neuberger,

2001; Uzzi and Lancaster, 2003). The banking literature which uses agency theory in addressing bank lending relationships with small business enterprises has also been considered.

Small business researchers have explored the relationships between Personal Business Advisors (PBAs) and clients (small firms), and found the PBAs to perform the role of account managers, counsellors and coordinators (Lean et al. 1998; Sear and Agar, 1996; Sear and Moran, 1998; Mole, 2000, 2002). In their role, PBAs were found to be the key to Business Link's success, but were required to fulfil quantitative targets (Mole, 2002). Findings from family planning programmes suggest that field workers have been central, yet much depended on their actual relationships with clients. However, relationships with clients could be problematic, making certain interactions difficult. Still others have extensively researched 'street-level bureaucrats' and their role in processing clients and policy implementation (Lipsky, 1980; Meyers et al., 1998; Brodkin, 2000).

In 'Street Level Bureaucracy' Lipsky (1980) contended that, under certain circumstances, it was useful to regard those bureaucrats at the "bottom" of the ladder as ex officio "policy makers". Lower-level bureaucrats thus "made" policy when aspects of formal statutes are either ambiguous or internally contradictory and where the routine activities of front-line workers cannot be fully monitored or controlled. This suggests that "although they are normally regarded as low level employees, the actions of public service workers actually constitute the services delivered by government" (1980: p.3). The 'street-level bureaucracy' model directed attention to how 'policy deliverers' actually worked and also adapted to tensions between management objectives and client demands (Brodkin 2000). Several researchers (Hasenfeld, 1992; Fineman, 1998; Keiser, 1999; Riccucci, 2002) have since employed this 'street-level bureaucrat' model to explain frontline workers discretion in policy implementation. For example, Riccucci's (2002) found that the actions of front-line workers had

substantial and sometimes unexpected consequences for the outcome of benefit programs. Elsewhere, Hilhorst and Schmiemann (2002) found that fieldworkers (volunteers) made their own interpretations of principles and priorities in response to demands placed on them.

'Street-level bureaucracy' thinking implies that fieldworkers are an important link in the micro credit lending process because they meet with clients on a regular basis and establish the close relationships that facilitate loan repayments. Put another way, they are the "foot soldiers" of the MFIs (Holcombe, (1995) with most direct contact with the poor. Hence, the "heart" of microfinance lies with its fieldworkers (Chau, 1998). Borrowers gain their particular experience of MFIs by interacting with them as if they 'personify' MFI policies themselves. Ito (2003) found that fieldworkers often fulfilled the roles of village counsellors, money managers, and conflict mediators at the same time. So, in fulfilling these roles, field workers (like "street level bureaucrats") may face rival demands of MFIs to increase loan disbursement and repayment compared with the demands of borrowers to be more personally sensitive to their peculiar circumstances. Thus a potential conflict could exist in the reconciliation of field workers' pressure to meet borrowers' demands and those of the organisation that employs them. Lipsky (1980: xii) argued that: "The decisions of street-level bureaucrats, the routines they establish, and the devices they invent to cope with uncertainties and work pressures, effectively become the public policies they carry out".

2.7 Microfinance Field Workers

Field workers are those front-line staff of microcredit institutions or Non-governmental Organisations (NGOs) who are most engaged in direct contact with the clients in service delivery (Ahmad, 2000; Isaia, 2005; O'Reilly, 2006). Field workers by implication should interact constantly with clients (Lipsky, 1980), since they are the key implementers of the policies of NGOs and overseers of clients. In principle, clients have a relationship with MFIs, but often

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there is no direct link to the management of MFIs, as that relationship is mediated through field workers/loan officers. As such microfinance programmes usually rely on practices such as 'regular' visits by loan officers and frequent contact with borrowers and group/centre meetings. The client-loan officer interface (see fig 2.1) is thus critical to realizing the developmental goals of microfinance. To the extent that they provide this link, field workers/loan officers can have considerable impact on an institution's outreach, clients' group dynamics and perceptions of microcredit.
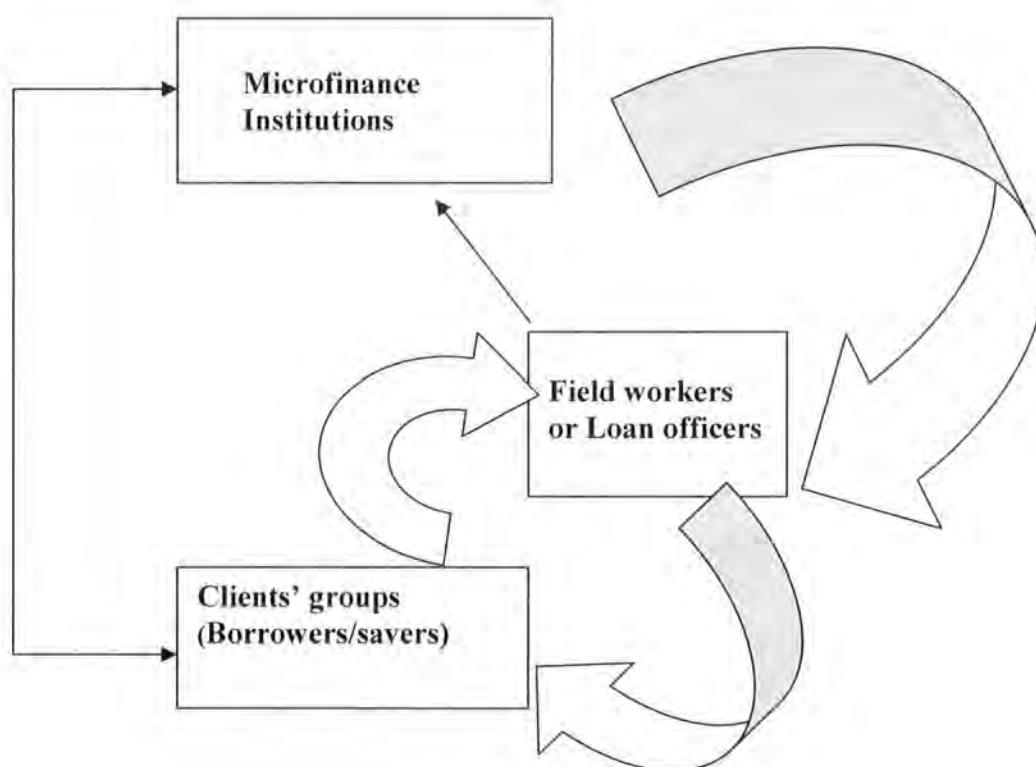
Figure 2. 1 Field workers' functional position in a group-based MFI

Berger and Udell (2001) argued that the most important link in relationship lending involves the loan officer because he/she is the person in the bank with the greatest access to the 'soft' information about the firm, owner and community which is difficult to quantify and communicate through the formal

organizational structure. The loan officer has most personal contact and their position in microfinance mirrors that described by Berger and Udell, but it still needs further exploration because the crux of developmental practice lies at their interface with clients (see fig 2.1). Loan officers are crucial makers and providers of information to upper (managerial) as well as lower levels (clients). It is therefore at the interface between the MFI's field worker and the client, whether she/he is saving, borrowing, purchasing insurance, that certain developmental processes actually occur. While frontline workers derive vital information, their particular importance among NGOs and, more particularly, in microfinance has been less well recognised (Sriram, 2002, p. 230). Based on fig 2.1, Jackson (1997) observed contradictory demands on the field worker/loan officer role, in addition to the different pressures of clients and their own institutions. But what is empirically less evident is how (in practice) they adapt to these competing expectations or demands. What strategies do they use and how does that then shape the further development of microfinance programmes themselves?

A comparative review of literature would thus indicate that the role of field workers within the context of microcredit has been relatively neglected. There has been limited research in NGOs in either developed or developing countries and even less in Africa and virtually nothing in Zambia[21] (see table 2.2). Commenting on the conference "NGOs in Global future", Ahmad (2000) reported that most discussions centred on NGOs, with much less attention to their clients, and even less to field workers themselves. Accordingly, Ahmad (2000) notes, 'there is more research with volunteers, particularly in the developed countries, than with field workers' (p. 65).

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[21] Most of the studies on field workers are based on South Asia and in particular, Bangladesh. Only two come from Africa (Table 2.2) and a handful conducted elsewhere.

Table 2. 2 Research on Field Workers of NGOs in Developing Countries

Authors	Topic of interest	Study Area
Musaka, undated	Key problems of expatriate staff in an international NGO	Uganda
Christoplos, 1998	Humanitarian field work and local service institutions	Angola
Rao and Kelleher, 1995, 1998	Gender and organizational change in a rural development NGO	Bangladesh
Goetz and Gupta, 1994,1995, 1996, 1997	Women development workers and gender equality	Bangladesh
Jackson, 1997	Role of field workers in a participatory project	India
Odwyer & Woodhouse, 1996	Motivation of Irish development workers in the South	South
Edwards, 1996	NGO performance and driving factors	Bangladesh
Hashemi &Hossain, 1995	Skills of field workers-Family planning programme	Bangladesh
Rahman &Islam, 1994	Role of service providers-Family planning	Bangladesh
Garain, 1993	Training of grassroots workers	India
Begum, 1993	Women relief workers and Environmental Disasters	Bangladesh
Cape, 1987	Role and experiences of expatriate 'developers'	Papua New Guinea
Griffith, 1987	Expatriate field staff experiences and their role in decision making	India
Pastner, 1982	Women field workers and the challenges	Pakistan
Janowitz, et al., 1999	Role of field workers in promoting family planning methods	Bangladesh
Ahmad, 2000	Field workers of NGOs and their perspectives on microcredit services	Bangladesh
Goetz, 2001	Women development workers and their role in rural credit programmes	Bangladesh

Adapted from: Ahmad (2000, p. 66) and extended.

2.7.1 Microfinance Development: The Field Workers' Role

Fieldwork within developmental NGOs and MFIs needs to address capacity building in groups and individuals, and the environment in which the poor can take risks to grow their businesses and thereby develop themselves. According to Sriram (2002), field workers provide three functional roles in extending micro financial services. First, they are crucial to helping clients overcome their reluctance to participate arising from their previous experience or losses. Second, in the absence of peer-information in urban settings, the actions of loan officers contribute to diminishing the probability of delinquency and default. Third, they can ensure a constant quality in the provision of the service. In principle, the primary role of a field worker can be argued to be that of facilitator or catalyst (O'Reilly, 2004; Rao and Keller, 1995; Tembo, 2003), and at times personal advisor as well. This requires that field workers interact and empathize with the poor and develop an in-depth of understanding of their situation. They also need to be "well trained, responsible and motivated, but also able to understand and manage groups and sometimes the shrewdness of the human soul" (Isaia, 2005, p. 462). However, field workers may also require organisations that offer genuine support, provide career opportunities, and a management style which facilitates open communication and appropriate team work (Ahmad, 2000; Heyns, 1996; Jackson, 1997), because their work is socially isolating with low levels of direct supervision affording field workers considerable autonomy. While fieldwork is generally the 'core process' of developmental NGOs, it is often the least researched and understood process within them (Ahmad, 2003; Goetz, 2001, 1996). This relative neglect is ironical and may reflect a tendency of managers and researchers alike to assume that provision of credit is a straightforward process of ensuring loans are disbursed to the poor with high repayments as expected outcomes.

Two particular studies into the importance of fieldworkers in developmental NGOs are Ahmad (2000) and Goetz (2001). Both were based on well

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established NGOs in Bangladesh, but they differ on their research focus. Goetz found field-level workers were crucial participants with close contact with the poor borrowers. They were also critical to communicating policy changes, and their perspectives about these changes likewise influenced how clients experienced and benefited from participation. They were responsible for effecting the 'fit' between top-level policy initiatives and local realities and interpreted policy goals to fit local conditions. However, fieldworkers' experiences in challenging gender inequalities and building trusting relationships depended upon their own gender, family and educational background. Although all field workers were required to secure high rates of repayment as institutions responded to pressures for financial sustainability, fieldwork posed an even greater challenge for women given their socio-cultural constraints. Findings elsewhere in the same geographic area have been similar (Rahman, 1999b; Schreiner, 1999). Goetz therefore concluded that: 'practices and perspectives of field workers have been neglected and yet they were a key component in any strategy to promote poverty eradication' (Goetz, 2001, p. 317).

Ahmad (2002) explored Bangladeshi NGOs 'from below'. Based on a sample of four types of NGOs (international, national, regional and local (small)), the focus was on: field workers' careers, personal and professional lives, interaction with clients and superiors, and their opinions on NGO policies and practices. Using a multiple methodology, field workers judgments about service delivery were found to differ from those of their superiors and also NGO policy itself. Field workers were found to be implementers of NGO policies who were nevertheless organizationally dis-empowered: 'their problems and opinions remained unheard and unaccounted and that very little research (even in Bangladesh) has been conducted on them in spite of their importance in the credit process and service sustainability' (Ahmad, 2002: p.3).

2.8 Emerging Issues about Loan Officers

The foregoing discussion on fieldworkers/loan officers argues that their facilitative role is critical to the development of microfinance. However, as intermediaries, loan officers are expected to have certain qualities that enhance their empathy with clients, as well as meet organizational targets. But to link the two disparate groups (clients and MFIs), loan officers require (relevant) prior and on going socialization. Nevertheless, their situation creates particular expectations and tensions which could have a further bearing on their practices and judgment of microfinance at work. Also important is the issue of gender in recruiting fieldworkers/loan officers. Does gender of a loan officer matter? These issues are briefly explored here in order to further our knowledge of the dynamics of their work and expectations surrounding them.

2.8.1 Loan Officers' 'Expected' Qualities

To facilitate development or change in individuals, groups or communities is a challenge which may require a commitment to not only an institution's mission and values, but also to self development as well. Key personality factors which constitute the desired attitude are variously claimed to include: patience, listening skills, interpersonal sensitivity, team work, and integrity, self-confidence without arrogance, empathy, commitment, respectfulness, diplomacy and perseverance (Churhill, 2002; Heyns, 1996; Tembo, 2003), although further empirical substantiation is required. Gender, age and socio-economic standing are additional criteria to be considered, all directed at gaining community trust and fulfilling the two key roles of facilitators and advisors. However loan officers in Zambia have increasingly acted as debt collectors, as chapter Seven will suggest.

2.8.2 Job status

Field workers have elsewhere been considered to be underpaid, under-valued, overworked, and under-appreciated (Ahmad, 2000; Baumann, 2004; Suzuki, 1998), making their retention problematic. They occupy the lowest positions on their organisation's hierarchy yet are potentially critical for implementation (O'Reilly, 2006). Suzuki (1998) highlighted the tensions between the headquarters and field offices of NGOs and noted that field workers of NGOs could be marginalised by NGO managers, policy makers as well as donors. In a number of microfinance NGOs, fieldworkers have complained about lack of respect, heavy work load, job insecurity and stress, while claiming that they would leave if a better job was found (Ahmad, 2000; Woolcock, 1998; Rahman, 1999). Ahmad (2002) found that graduates in Bangladesh also preferred government jobs to those in NGOs because they gave more job security, rewards and also higher social status (section 5.5). Many had joined developmental NGOs just to provide for their own continued subsistence rather than any deep personal interest in and commitment to, developmental work with the poor (Goetz, 2001; Goetz and Gupta, 1997).

2.8.3 Training

Field workers may not necessarily receive suitable orientation, induction or training, on the grounds that they are urgently needed in the community itself (Ackerly, 1995; Ahmad, 2003; Goetz, 2001, 1996; Montgomery, 1996; Mukama, et al., 2005). In other cases, MFIs claim to have limited budgets and cannot afford required training (Baumann, 2004; Paxton, 1999). Training may in some cases not really equip the field workers with the capacity to handle the group and organisational dynamics. For instance, Griffith (1987) found that many field workers were not fully trained to identify the poorest and to deal with different social relationships. In other cases, training may be inadequate, uncoordinated or not sufficiently locally relevant. Field worker training rarely emphasises relationship building techniques (Andaleeb, 1996). Baumann (2004)

and Volschenk and Biekpe (2003) therefore found that South African MFIs were constrained by inadequate skills, and limited resources for capacity development. Consequently, training occurs 'on-the-job'. In addition, Basu, et al., (2004) and Mukama, et al., (2005) noted that many MFIs in Africa experienced a shortage of skilled and trained staff (even at management level). In Zambia, Musona and Coetzee (2001) found that loan officers were ill-prepared to provide 'quality customer service'. Consequently, loan officers lacked a thorough understanding of their expected role (Churchill, 1999). Any training offered usually favoured gaining technical and accounting skills over other aspects of 'development' work or how to facilitate it. Certain established NGOs of Bangladesh are no exception to this problem of inappropriate training (Ahmad, 2000).

2.8.4 Promotion and restricted progression

While Goetz (1995) found in BRAC a very clear system for internal advancement (even for field staff), most NGO organisations are reported to lack a clear system for personal advancement, especially for field staff, while the problem of limited promotion opportunities also makes it difficult to retain some young and well educated field workers (Ahmad, 2002; Uphoff, 1994). In particular, Ahmad found that higher qualified field workers were likely to be promoted, suggesting that work performance was not always adequately considered. However the 'egalitarian' ethics of some NGOs may espouse relatively 'flat' staff structure rather than 'tall' organizational hierarchies, which may further limit the scale/rate of internal advancement in any case.

2.8.5 Pressures to disburse loans and achieve high repayment rates

Studies in Africa, Latin America and South Asia have all noted the pressure on field workers to sideline other deserving tasks in order to increase reported repayment rates. As MFIs are required to be self-sustaining, and high repayment rates are an important indicator of 'good' performance, social intermediation is

likely to be marginalised. Consequently, field workers eventually act more like 'policemen' and 'debt' collectors (Montgomery (1996). But how might loan officers then manage their 'new' role as 'debt collectors' as well as facilitators? What impact does this have on how field workers interact with their clients and promote the institution's image? What accountability issues does this 'new' role raise?

2.8.6 Perspectives on Recruitment and Gender

While it is argued that female loan officers should be more suited to interacting with NGO's clients, research has not been conclusive. In his study of fieldworkers in Bangladesh NGOs, Ahmad (2000, 2002) found a great increase in the numbers of female field workers in rural 'development' programmes together with a significant increase in women clients. However, this increase was partly because of donor influence, and also because women had claimed certain advantages over men in working with rural poor women in a gender-segregated society. Isaia (2005) also reported that female loan officers were well suited to Jordan, due to its particular cultural character. Would such gender bias still hold in places where microfinance NGOs are concentrated in urban areas and in a society that was less observably gender-segregated?

As regards work performance women may feel they have to further 'prove' themselves by being 'twice as good' as men (Goetz, 2001, 1996; Fowler, 1997; O'Reilly, 2006). Others observe that certain cultural norms tend to reflect and favour men more than women (O'Reilly, 2004; Rahman, 1999). Similarly, Ahmad (2002) found that women field workers' authority was publicly questioned and they faced more logistical problems. Others regard mobility as a major problem. As a result a relatively high early 'drop-out' rate of female field workers has been observed (Goetz, 1997). Isaia (2005) and O'Reilly (2006) also noted the difficulty in employing and retaining female fieldworkers/loan officers who often-leave citing family obligations. Interestingly, client preferences vary

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greatly, and may also be 'context dependent'. For example, female clients in South Asia have been reported to prefer fellow women field workers to men, especially in credit programmes that incorporate education on gender equality and reproductive health (Ahmad, 2002; Goetz, 2001; Montgomery et al. 1996). But, most clients in sub-Saharan Africa prefer male to female field workers. Does the gender of a field worker matter? If so how does that affect the way loan officers interact with clients and their perceptions of microfinance work?

Thus, although they are often facilitating and producing development on the ground, the agency of loan officers has not been the focus of researchers' attention so far. As a result, much microfinance literature simply serves to affirm belief in the power of both lending methodologies and policy design to solve problems and result in positive affirmation of microfinance as a tool for reducing poverty. Existing studies have also focused on excellent, exceptional or else the largest of organisations rather than smaller emerging institutions (in emerging areas) which are still grappling with implementation issues. This extensive literature does not sufficiently deal with the work organization of microfinance, but may be critical for its further development.

2.9 Explaining Variability in Microfinance Diffusion: Emerging Organizational Factors

There is clear evidence that literature is not yet adequate when it comes to such processes as the work of microfinance itself. The agency of fieldworkers/loan officers and clients is not therefore sufficiently articulated. It is also clear that microfinance is not diffusing equally and that there is a gap in the understanding of its take up and applicability. Standard input-output models may not raise these particular issues – i.e. process variables. Microfinance and working with the poor is more organic than mechanistic and organizational and labour processes are not necessarily predictable from economic models (Frost, et al., 2006). As Mosse (2005) argues, "economistic models may conceal rather than

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explain development practices". More recently, researchers in organizational studies have taken interest in examining organizational processes by which people co-ordinate goal-directed activities – emphasizing proactive human actors and emergent social processes (Heath and Sitkin, 2001). Organizing microfinance at grassroots ideally involves commitment, passion and managing own and clients' feelings in order to sustain client loyalty and relationships. This is because loan officers undertake relational work and have some responsibility for managing their own as well as others' emotions. As part of their job loan officers like other service employees are required to express certain emotions, such as positive affect toward their clients. But these employees may not really feel all the emotions that they are expressing, resulting in what has been called "emotional labour" (Grayson, 1998). Yet these displays of emotions are not without potential for creating dissonance – tension between what is displayed and what is felt (chapter 6).

Emotional labour refers to the regulation of one's feelings and is defined as "the induction or suppression of feeling in order to sustain an outward appearance that produces a sense of being cared for" (Hochschild, 1983: 137) *or not cared for* (own italics). It requires the worker to produce an emotional state in another, e.g. of gratitude or fear[22]. Emotion itself is strongly shaped by social learning, cultural protocols and social structures (Sturdy and Fineman, 2001). More specifically, research has established that emotional labour is an integral (yet often unrecognized) part of employment that involves contact with other people (Ashforth and Humphrey, 1993; Fineman 2006; Harris, 2002). As noted by James (1993), 'emotional labour involves working with feelings rather than denying them'. Fineman (1993, 2006) has argued that emotion as a management subject should be central to organizational conduct and behaviour. Emotion is seen as the 'life blood' of organizing, entwined with, rather than separate from, various meaning-making and cognitive processes. By emotionalizing

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[22] For more detailed discussion of emotional labour and how it applies to many other frontline jobs, see Fineman, 2000 and Taylor, 1998.

organizations researchers have given fresh insight into many key issues and processes, such as decision making, leadership, conflict, organizational change, social/gender differences (Fineman, 2003). All these issues confront loan officers/fieldworkers in their roles as facilitators, mediators and organizers of client groups. Working with the poor has an emotional character to it, especially where field workers are expected to identify and empathise in order to solicit their co-operation and trust. However, much loan officer labour – in particular the emotional aspects - are "invisible" to organizations and management, despite being essential to fulfilling organizational goals. For instance, emotions like trust do have a key role in inspiring confidence in both loan officers and the poor in the context of information asymmetry, while negative emotions such as fear, guilt, anger or embarrassment could limit social interaction and participation. Consequently, the thesis uses emotional labour because this provides us with an explanation in the areas of interpersonal relations, trust and context which are found relevant to understanding how microfinance works and translates at the grassroots.

Organizational studies and other literature on related field processes such as nurses (Aldridge, 1994; Henderson, 2001), the police (Martin, 1999), barristers and magistrates (Anleu and Mack, 2005; Harris, 2002), flight attendants (Hochschild, 1979; William, 2003) social workers (Gibbs, 2001), teachers (Mayers and Zepeda, 2002), bill collectors (Hochschild, 1979) affords some insights into the real-life experiences of developmental work. A study of loan officers in a large commercial bank in Israel for example found that credit granting was construed as both a financial transaction and an interpersonal interaction between a loan officer and a client that was rooted in their history and embedded in their perceptions and feelings. Emotions played a significant role in loan officers' decision making (Lipshitz and Shulimovitz, 2005) regarding the credibility of the loan applicant. Along similar lines, Pixley (2002) argues that finance organizations are rational and emotional, because impersonal trust, confidence and their contrary emotions are unavoidable in the

context of uncertainty (p. 41). However, loan officers in group-based microfinance institutions (though dealing with a financial transaction) face a different context, in the sense that they primarily interact with marginalized poor people who expect reciprocal acts of care, concern and compassion (Frost, et al., 2006) from them (regardless of their gender) – i.e. an emotion directed at another's misfortune or suffering. The success or failure of these interpersonal interactions depend on the joint qualities and behaviours of the actors involved, but more so on the loan officers being able to manage their own as well as others' emotions, while still under pressure to meet organizational demands.

In another related field, Gambetta and Hamill (2005) investigate how taxi drivers employ unconventional strategies to assess and establish the trustworthiness of their prospective passengers. Their study of streetwise with taxi drivers in Belfast and New York, found that establishing trustworthiness and risk assessment were daily challenges facing taxi drivers. Similarly trustworthiness underlies the financial transactions and social interactions within microfinance. However, as chapter 6 shows, mutual trust can be problematic.

This justifies the argument that, although input-output efficiency analysis of the performance of microfinance has some value, genuine insights can emerge on process rather than from standardized input-outputs approach (Mosse, 2005; O'Reilly, 2004, 2006). An examination of process largely deals with actors because they form and re-create a significant part of it. Loan officers 'translate' and implement MFI's policy at the point of interface with the poor and assume organizational roles critical to realizing microfinance goals.

Therefore the performance of microfinance rests on more than just having the right institutional design and lending techniques at the start. It is also about engaging with the poor, interacting with them in their own surroundings, and reaching out to them with appropriate service products (Isaia, 2005). It calls for a particular kind of work, patience, humility and empathy on the part of loan

officers as the primary service deliverers (chapter 6). In particular, how microfinance translates at the grassroots largely depends on how the field workers/loan officers practically implement MFI policies and interact with clients, and the choices they make about what to foreground or silence during those interactions.

Additionally, in organizing microfinance, loan officers may fulfil multiple roles (Ito, 2003) because of their positionality (fig 2.1) within MFIs. As such, clients and management can place different expectations on them, and they are therefore likely to experience role conflict. Katz and Kahn (1978) originally reported that role conflict is the "simultaneous occurrence of two or more role expectations such that compliance with one would make compliance with the other more difficult" (p. 204). Similarly, Koustelious, et al., (2004) indicate that role conflict occurs when different groups or persons with whom an individual must interact (for example, family, members of that person's group) hold conflicting expectations about that individual's behaviour. In education, teachers have reported experiencing role conflict as a result of being expected to perform diverse roles (Conley and Woolsey, 2000). The work of loan officers also requires them to be both facilitators of 'bottom-up' development as well as 'debt collectors' at the same time. The tension between these two roles, however, can result in loan officers' dissatisfaction with their job and also not being able to satisfy either clients or their management. Therefore, for role conflict to exist, the loan officer must be aware of divergent expectations. The nature of their work, as presented in chapter 7, reveals that loan officers are not just 'fieldworkers' but can also be regarded as 'everything' to the microfinance process itself. Thus a divergence between the formally espoused nature of the job (the job description) and the everyday job (what they actually do) is likely to emerge with loan officers experiencing both role conflict and ambiguity.

Role ambiguity, on the other hand, occurs when the actor has insufficient knowledge of expectations of an assigned job, or is unsure about other's expectations (Kahn, et al., 1964; Koustelious, et al., 2004). Loan officers, as

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previous studies have found (section 2.8.3) receive limited training and professional development on how to be facilitators, and little guidance about how their work would change given greater emphasis on institutional sustainability. As a result, loan officers, just like high school departmental chairs (Mayers and Zepeda, 2002), can experience tension, emotional exhaustion, and job dissatisfaction, frustration and reduced productivity. Likewise, for role ambiguity to exist, the loan officer must actually question their role (chapter 7). But how does the experience of role conflict and ambiguity shade light on how loan officers interact with clients and account for their activities and delivery of microfinance services (chapter 8)?

Accountability has been an increasing issue for donors where microfinance institutions are particularly donor dependent (Ebrahim, 2003; Edwards and Hulme, 1995). Research has lately found that donors are increasingly looking for repayment performance that calls for one-dimensional accounting and accountability (Goddard and Assad, 2006). As such 'upward' accountability to donors accounts for portfolio at risk and use of resources dominates, with much less 'downward' accountability to MFI's clients (Ebrahim, 2005; Dixon, et al, 2006; Hillhorst, 2003; Unerman and O'Dwyer, 2006; Porter, 2003). However, microfinance and MFI performance also depends upon how loan officers resolve the accountability issues of their functional position between MFI and clients. Where formal and 'upward' accountability is prioritized, and repayment performance is a key measure of institutional success, emerging accountability relationships and interactions between loan officers and clients might not necessarily fit with the original goal of bottom-up participation by the poor. The key question then is: does the type of accountability provide opportunity for client participation or for group self-management? This research will seek to demonstrate (chapter 8) that the effects on MFIs, development workers (loan officers) and clients (as a result of inappropriate accountability) are not sufficiently recognized but could be critical to the further development of microfinance.

Moreover, microfinance process and its development is ideally a partnership between MFIs and clients. Clients are central to microfinance work and their 'voices' can add credibility to knowledge of how it actually works. Clients come to microfinance from different backgrounds and with varied expectations of MFIs. Again orthodox models are weak on interaction variables. Focusing on interaction variables such as culture, could yield insights into how and why clients relate to each other [and to loan officers] as they do. In particular, the cultural expectations of family relationships in different places may need highlighting further (see chapter 9) if we are to appreciate the work of group-lending from the clients' perspective. For instance, is microfinance culturally neutral or cultural contingent? Are there any other factors besides cultural factors that could account for the observed variability in its practice and performance? Is there any necessary mutual trust in the interactions between clients and loan officers, and also amongst MFI staff, as well amongst clients themselves (see chapter 6)? Furthermore, the very substantial difference in nature of trust across societies is likely to impact on how the poor will work with loan officers. Without trust, microfinance and group lending methodology may not achieve the expected bottom-up development (Bastelaer and Leathers, 2006) and thereby cast doubts on the original intention of microfinance as an inclusive development strategy for the poor (table 2.1). How then does microfinance diffuse in less trusting cultures? What this research does is to explore these issues (chapter 8) through grounded theory based on an exploratory study to help us understand the data generated and shed light on how microfinance works.

2.10 Summary and Conclusions

This chapter argues that emerging issues within microfinance are wide ranging, although much research has been driven by the desire to produce evidence in support of microfinance as a sustainable poverty reducing strategy. It has shown that much research has itself been top-down, economic in nature, and is often concentrated on lending technologies and demonstrating the material outcomes

of microfinance programmes. Whether microfinance can reach the poor, or 'empower' women and significantly alleviate poverty, are both important empirical questions. Additionally, the chapter has highlighted that programme evaluations and research on sustainability and commercialisation of microfinance has not yet been sufficiently informed by the loan officers who most interact with clients.

The literature on programme design, evaluation and impacts often presents loan officers as if they were neutral actors in the process of microfinance. Schemes have proceeded without necessarily recognizing the scale of loan officers' influence on service delivery, client 'empowerment', outreach, and lately on institutional sustainability as well. However, this research will argue that loan officers are central actors. They shape both policy and practice of MFIs and are critical to microfinance performance. Consequently, other studies which exclude the 'voice' of loan officers from their interpretation of microfinance are not necessarily an accurate predictor of its likely performance. Economic input-output models may not give sufficient attention to the agency of the fieldworkers who play a key role in the shaping of relationships and development practice. Furthermore, the work of loan officers cannot be fully understood without using the concepts of emotional labour, trust, conflict and ambiguity to explain it. There is therefore a significant gap in our understanding about how microfinance works, which this study argues can be overcome by making loan officers' 'voice' much more central. The key question therefore is: if microfinance performance is particularly dependent on the work of loan officers, especially at the early stages, what is it that they actually do at the interface with clients that affects it? What is their role in its diffusion and can that role change?

This discussion has also shown that studies of the role of loan officers are often based on South Asian and Latin American experiences, yet their findings may not be equally applicable to sub-Saharan Africa. Second, there is a bias towards

cases from successful MFIs, again from South Asia, and in particular from Bangladesh (Pitamber, 2003). In sub-Saharan Africa, however, many MFIs face serious implementation problems, and are much less mature (see chapter 3). Certain studies have been practitioner and donor driven and therefore may lack further academic purpose and rigour, and also tend to be of a short term, pragmatic nature. Although Ahmad's (2000) and Goetz's (2001) studies come closest to this study here, neither were concerned with the present observed international variable take-up of microfinance, especially in emerging areas like SSA. Secondly, both these studies did not directly raise the issues of accountability at the grassroots, or other role conflict and ambiguity and tensions in the new drive for commercialisation. In particular, they have not directly considered emotional labour in interactions between loan officers and clients, which is particularly relevant to the understanding of microfinance in action.

This study therefore builds on the existing knowledge but still differs in certain key respects. It examines the work and actual role of loan officers in their interactions with clients, and how they adapt to the different demands of borrowers and institutions' (i.e. microfinance in action). It does not address personal problems of loan officers. Gender and women 'empowerment' are not the central issue despite their importance to the wider debate. Secondly, this study is conducted in a different cultural context, and also within emerging MFIs faced with serious implementation problems and future sustainability pressures. Thirdly, it seeks to shift attention from well performing NGOs in South Asia, in particular Bangladesh, to under-researched emerging MFIs and their field workers in Africa. In so doing, it poses the following research questions:

1. Who are the loan officers and what motivates them to do developmental work?

2. What roles do field workers/loan officers play in the process of microfinance?

3. What is the nature of loan officer-client relationship?

4. How might the personal characteristics of a loan officer enable or constrain their interactions with clients?

5. How do loan officers and clients construct the nature of the microfinance work they perform?

6. How do loan officers adapt to the different expectations of their clients and management?

The research methodology and design used to generate data to address these research questions and objectives will now be discussed. Before this, however, chapter three puts the research into context by providing a brief comparative overview of interregional differences in the development of microfinance with a view to justify the focus on SSA and Zambia in particular. The socio-economic context of Zambia and the microfinance institutions under investigation are also considered.

Chapter Three

Comparative Analysis of Zambian Microfinance

3.1 Introduction

The last chapter presented microfinance as a 'bottom –up' strategy for reducing global poverty, especially in developing countries. It also highlighted that, to achieve its intended goal of 'empowering' the poor to take control of own livelihoods, microfinance needs to diffuse widely and achieve greater scale. However, so far the development of microfinance has been variable, with particular regions such as sub-Saharan Africa (SSA) lagging behind those of South Asia and Latin America, both in terms of client outreach and performance. This chapter presents a brief characterization of microfinance in three regions: South Asia, Latin America and SSA, with a view to establishing the case for researching SSA, and in particular Zambia. How has microfinance evolved here and how does this compare with other world regions?

The comparative approach to assessing performance is not straightforward, partly because organizational forms and other institutional arrangements differ from country to country, and measurement standards vary. It is also important to realize the diversity of practice within microfinance itself. It is diverse in terms of organizational types, with MFIs organized as non-governmental organizations (NGOs), banks, credit cooperatives or non-bank financial institutions. An added dimension concerns the type of target group chosen. Some target women, others poor clients, and still others small business lending for example.

There is also some ambiguity and uncertainty about how the boundaries of microfinance should be defined. [23] Nevertheless, an attempt will be made to give a broad overview of some of the distinguishing characteristics of microfinance in sub-Saharan Africa relative to South Asia and Latin America and then present the Zambian socio-economic context.

3.2 Inter-regional Differences

Although there are thousands of MFIs worldwide, the development of microfinance over the past two decades has not been globally uniform, but is concentrated in selected regions such as South Asia and Latin America (Honohan, 2004), making Africa a relative latecomer (Mosley and Rock, 2004). Microfinance institutions in sub-Saharan Africa (SSA) encompass a wide range of providers that vary in legal structure, mission, and methodology – offering these financial services to clients who do not have access to mainstream banks or other formal financial service providers (Lafourcade, Isern, Mwangi and Brown, 2005). Most MFIs in Africa are expanding in number and still in their experimental stage and are small scale by comparison with MFIs in South Asia and Latin America[24]. For example, data suggests that Asian MFIs lead the world in terms of both breadth (number of clients) and depth (relative poverty of clients) of outreach (Montgomery and Weiss, 2005) (see figure 3.1).

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[23] Honoham (2004) points to literature that is not unanimous on whether semi-formal cooperative savings and credit associations, postal savings banks and agricultural development banks should be included as microfinance. There is also a question of whether mainstream banks that provide financial services (mainly deposits) at a micro level need to be classified as microfinance. The thesis focuses on institutions providing access to credit and a limited range of financial services, such as savings and insurance.

[24] The average age is estimated at about 10 years for African MFIs- this is still lower than that of South Asian MFIs (Montgomery and Weiss, 2005).
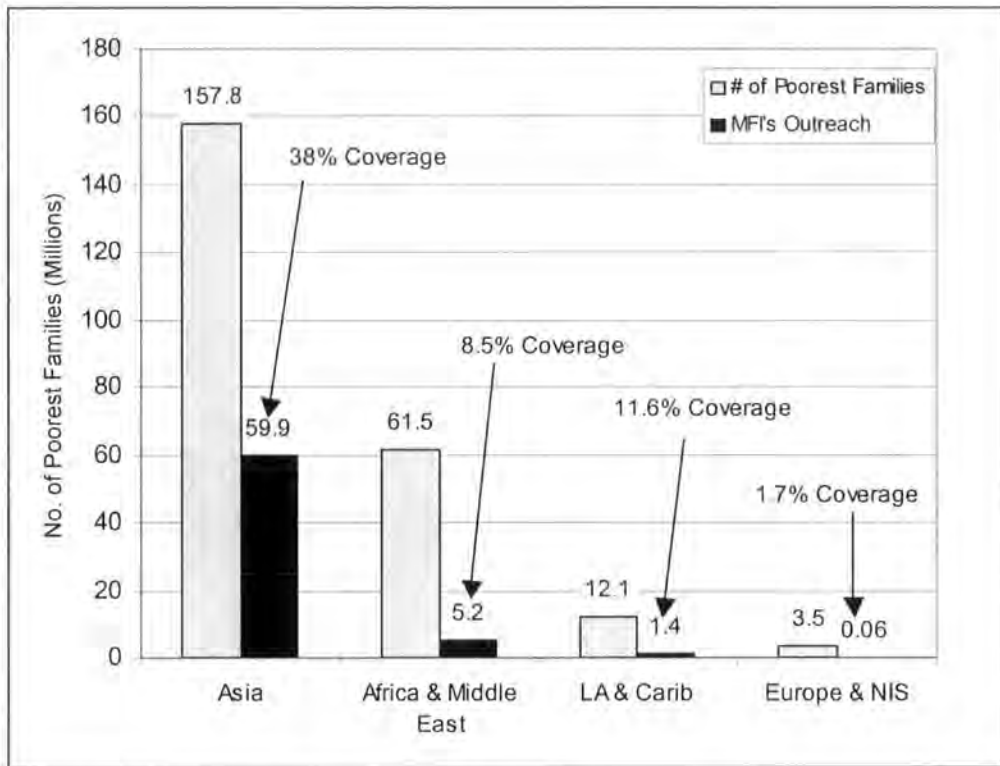
Figure 3. 1 Regional Breakdown of Access to Microfinance

Adapted from the State of the Microcredit Summit Campaign Report 2005: p.26

In their analysis of over 1,500 MFIs from 85 developing countries, Lapenu and Zeller (2001) also found that Asia accounted for the majority of MFIs, retained the highest volume of savings and credit, served more members than any other continent and exhibited the highest repayment rates. However, Latin American MFIs exceed Asia in terms of financial viability (Microbanking Bulletin, 2003) and commercialization (Hubka and Zaidi, 2004). African MFIs have the lowest repayment rates. Even within Africa, East and West Africa receive most international support and account for most clients and organizations involved in microfinance (Lapenu and Zeller, 2001). However, SSA microfinance institutions are reported to be among the most productive globally, as measured by the number of borrowers and savers per staff member but, in efficiency terms (cost per borrower), they are among the lowest (Lafourcade et al. 2005).

Another notable feature of microfinance in Africa is that it has borrowed quite heavily from South Asian solidarity models, in particular from the Grameen Bank of Bangladesh (Cull, et al., 2006; Mosley and Rock, 2004) and also from its own traditional structures such as the rotating savings and credit associations (Lyons, 2000; Nissanke, 2001; Pal, 1999). According to the MicroBanking Bulletin (2005), over 85 percent of MFIs in Africa offer group loans through solidarity groups or village banks[25]. Microfinance has also emerged with the support of governments, civil institutions, and donor organisations (Congo, 2002), and a number still operate as unregulated MFIs. In terms of numbers, Africa is underdeveloped, with observers (MicroBanking Bulletin, 2005) suggesting that its share in total microfinance client numbers varies between 3 and 6 percent, a figure far smaller in proportion to its population than either Asia or Latin America. Yet, unlike Grameen Bank,[26] in its founding stage, most MFIs in Africa (in particular Zambia) face the challenge of a 'culture of default' and declining repayment rates, in addition to the pressure from donors to expand rapidly (Churchill, 1999; Paxton, 1999). However, what seems common to all regions is the higher proportion of women borrowers[27] and that the sector world wide remains heavily grant and subsidy dependent with most MFIs still not self-sufficient (Coleman, 2005; Honohan, 2004; Holvoet, 2005; Spencer and Wood, 2005).

In addition, most MFIs in sub-Saharan Africa experience relatively high rates of client loss within the range of 25% to 65% per annum (Hulme, 1999; Copestake, 2000; Musona and Coetzee, 2002; Stark and Nyirumuringa, 2002), due to dissatisfaction with MFI loan products, poor customer service and repayment

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[25] Solidarity group lenders employ contracts based on joint liability. Loans are made to individuals, but the group which may have 5 and 20 members depending on the institution and location, takes the responsibility for a loan should a member default (Isaia, 2005). Village banking is based on larger groups with a degree of self –governance but draws on a similar notion of joint liability (Cull, et al., 2006).

[26] Several writers have increasingly criticised the Grameen Bank model as unduly rigid, and Grameen Bank itself has made amendments to its original model. In particular, recent literature suggests that this model does not adapt well to the urban settings of most of the African countries where it has been adopted.

[27] Some studies (Isaia, (2005) in Jordan and Volschenk and Biekpe, (2003) in South Africa) have noted more inclusion of male clients.

schedule rigidities, amongst other reasons. This is significantly in excess of the dropout rates reported in Asia of 10% to 15% (Murray, 2001), and nearly 25% in Latin America (MkNelly and Painter, 2000). This is problematic as it increases the costs of service provision, and possibly one reason why most MFIs in Africa remain small (and potentially unsustainable). Programmes operating in SSA in particular are judged particularly costly (Baumann, 2004; Nissanke, 2001; Volschenk and Biekpe, 2003).

Creating strong and viable MFIs in Africa is particularly challenging given this particular social and macroeconomic context (Baumann, 2004; Paxton and Fruman (1999). The environment is challenging for microfinance due to the combination of previous failures, weak infrastructure, low average population density, acute poverty, illiteracy and high prevalence of HIV AIDS. The World Bank 2005 report showed that sub–Sahara Africa has the lowest GNP per capita of any region of the developing world. Poverty is also widespread and in addition, MFIs in sub-Saharan Africa are faced with high illiteracy rates (Aryeetey, 1998; Mukama, et al., 2005) and a much lower population density than that of Asia (see table 3.1). Therefore despite the rapid increase in number of MFIs, their outreach remains small compared with the potential demand (Congo, 2002). African MFIs are nevertheless important actors in the financial sector, and can be positioned to reach the millions of potential clients living in poverty with little access to mainstream financial services.

Table 3. 1 Regional characteristics

Region	GNI per capita 2002 (US$)	Growth of GDP per capita (%) 2001-2002	Population density (no./km2)	Rural Population (%)	Adult illiteracy (%)
Sub-Saharan Africa	306.5	0.9	29	67	35
East Asia & Pacific	1740.5	5.8	116	66	10
South Asia	640.5	2.6	293	72	41
Latin/America &Carib.	1726.5	-1.9	26	25	11

Source: World Bank, 2004, 2005

3.3 The Environment for Microfinance in Zambia

3.3.1 Socio-economic situation

Zambia, which until two decades ago was one of the most prosperous countries in sub-Saharan Africa, now ranks as one of the least developed countries in the world. Its per capita GDP has been declining over the past thirty years and is significantly lower than the SSA levels[28] (Mc Cullouch et al. 2000; Saasa, 2005). It has a population of 10.5 million (World Bank, 2005). Its formal sector employment has declined following two decades of recession. Retrenchments both in the public and private sector have left many more depending upon the informal sector (Ferguson, 2006; Hansen, 1999). Employment data for 2002 shows the total number in formal employment was 476, 000, out of a labour force of five million (Musona, 2004). Mining, once the driving force in the Zambian economy, declined as did those sectors which depended on it. Consequently, poverty in Zambia is officially widespread (ZHDR, 2003). Zambia is also reported to be one of the most urbanised countries in SSA and deindustrialization has contributed to

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[28] At independence, 1964, Zambia's GDP per capita was US$ 1,200, declined to US$750 in 1986 and further to US$380 in 2002 before increasingly slightly to US$450 in 2004 (Maimbo and Mavrotas, 2003; World Development Indicators, 2001, 2005).

making poverty an increasingly urban phenomenon (CSO, 1990; Mc Cullouch et al. 2000). The HIV/AIDS pandemic and other diseases (amongst other factors) have worsened poverty (Zambia's Poverty Reduction Strategy Paper, 2002).

The informal sector in Zambia, as in many other developing countries, remains dynamic in terms of new employment generation, and currently accounts for more than 70 per cent of the Zambian labour force (MOF, 2003, p.43). A majority of the poor subsist as micro entrepreneurs – as farmers, street vendors, market traders and home workers, - many of them women. They are likely to continue to depend on the informal sector for their livelihood. However, data about the informal sector is typically inadequate (Mc Cullouch et al. 2000). It has therefore been recognised that microfinance can play a significant role, particularly in creating greater access to financial resources for those who earn their living in the informal sector[29]. The new development of MFIs is an attempt both to raise the standard of living, given a capita income of about $450, and to create access for the poor to small capital pools, since approximately 73 percent of the population are below the national poverty line (World Bank, 2005). The Zambian government has made poverty reduction a main goal for development. In 2004, the United Nations Development Programme (UNDP), the United Nations Volunteers, the Grameen System of Bangladesh and two Zambian microfinance NGOs launched the 'Microfinance for Poverty Reduction project' in Chongwe and Lusaka, aimed at improving the socio-economic situation of poor women (UNDP Zambia, 2004). This is in line with the rest of the world in attempting to 'eradicate' poverty as recently demonstrated through the latest campaign for 'making poverty history' 2005.

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[29] Providing credit to those in low income or targeted groups such as small-scale farmers is not new in Zambia. The country has a history of failed government funded credit programs and institutions, up till the 1990s. Maimbo and Mavrotas (2003) and Mbanacele (2000) provide detailed accounts.

3.4 Microfinance in Zambia

Zambia's financial sector is relatively small and characterised by low financial intermediation (with limited access to financial services for the rural population and the low-to-middle income earners). Further, the majority of Zambians cannot meet the collateral requirements for the credit facilities offered by commercial banks (MOF, 2004; Musona and Coetzee, 2001). In addition, access to financial services has been constrained by closures of rural bank networks, bank failures, and high bank charges, raising of minimum account balances – which the poor cannot afford (Chiumya, 2004). MFIs funded by donors have stepped in to fill the gap in the provision of financial services.

Formal microfinance services in Zambia prior to the 1990s were dominated by cooperative societies[30] (Meagher and Mwiinga, 1999). However the liberalization of the economy from 1991 facilitated a resurgence of MFIs. Consequently, microfinance in Zambia was introduced in the early 1990s, as part of a worldwide proliferation of NGO-led microfinance programs. Its rapid introduction reflected the belief that such programs could not only empower the poor to help themselves but also do so in a way that was financially sustainable. However, the notion of commercial profitability was not embraced early in Zambian MFIs because institutional microfinance started not as a distinct business, but as a means of alleviating poverty and helping poor people to create sustainable livelihoods for themselves (Harper, 2003). In the Zambian case microfinance intervention was also typically urban rather than rural (Chiumya, 2004; Maimbo, 1999; Mwenda and Muuka, 2004; Musona, 2004). It targeted the 'economically active poor' – people with established businesses that needed capital to grow. However, it was not itself seen as a branch of commercial banking. Microfinance in Zambia has been influenced by the strong role of non-governmental social development organisations (NGOs). Most major Zambian microfinance providers began as

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[30] Meagher and Mwiinga (1999) give a detailed account on the performance of cooperative societies.

NGOs, formed as part of donor-supported projects and, are heavily subsidized by them[31]. As a result, many have an ambiguous ownership status.

As social development organizations, they frequently referred to 'helping' the poor, and were regarded as organizations with essentially charitable goals. Consequently, borrowers have sometimes treated microfinance NGO loans as if they were grants that need not be repaid (AMIZ, 2002; Dixon et al., 2006). Like the rest of the financial sector, microfinance NGOs in Zambia suffer from a poor 'credit culture'[32]. The general understanding is that NGOs need not emphasize paying back loans if they are also meant to 'help' the poor. But microfinance activities are now being recast as needing to be more commercial and MFIs have to adhere to strict cost-recovery operations - a change to which many clients could find difficulty.

High levels of donor funding have also meant that 'upward' accountability to donors has skewed microfinance NGO activities towards donor-driven agendas for development rather than to clients' priorities. They are to a great extent seen as new patrons bringing with them new access to external resources (White, 1999).

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[31] Gina Porter (2003) in her research in Ghana finds a similar pattern and argues that development NGOs (of which microfinance NGOs are a part) is largely a donor-created and donor-led system. Citing Tvedt (1998), she argues that these NGOs have become 'a transmission belt of a powerful language and of Western concepts of development, imposing similar policies (and microcredit models) on different poverties (and countries) (p.141).

[32] MFIs claimed that they were also affected by a culture of nonpayment within the country. There seems to be some historical pattern to this and is to a large extent endemic. The understanding is that Zambians are poor at repaying debts. But this should not be regarded as an inborn attribute-it has been conditioned by political factors, an inadequate legal framework, and donor-dependent approach to micro-lending and failed government subsidized credit schemes which did not penalize wilful loan defaulters. See Churchill (1999) for similar experiences in South Africa. The study adds that this 'bad culture' has been perpetuated by a sheer lack of commitment to accountability. This culture does not favour the type of microfinance lending that thrives on trust and peer pressure for collateral. See Musona and Coetzee (2001) for similar views.

It is estimated that there are thirty established MFIs (AMIZ membership list, 2004)[33], most of which are either inactive or quite localised and small compared to other MFIs in South Asia and even East Africa. Despite these numbers a majority operate in the urban areas[34] (M and N Associates, 2003; Wilkinson, 2003), outreach remains low in relation to the potential 'market', and the scope of services is likewise limited, mostly to microcredit with little savings mobilisation (Chiumya, 2004; Maimbo and Mavrotas, 2003). In a country where three quarters of the population live in poverty, with 54 per cent classified as 'core poor' –living with income of less than US$ 1 per day - current MFI usage is judged disappointingly low (Maimbo, 2003: 11), but the assumed potential for microfinance and MFI's growth remains high. Microfinance can make a difference, given that the availability of, and access to formal financial services by the majority of Zambians is so limited. The Association of Microfinance Institutions of Zambia (AMIZ) has estimated that the industry's outreach is approximately 80,000 against estimated demand for microfinance services by two million people.

However, like MFIs in Kenya (Johnson et al., 2003) and other SSA countries, Zambian MFIs face relatively high loan delinquency and default, and high operating costs, slow intake and high client exits (Musona and Coetzee, 2001; Siame, 2004) which all constrain their efforts to achieve the sustainability now considered so important. Indeed, most are faced with challenges of 'good governance' (given their NGO status), commercialisation and still struggle to maintain high repayment rates. Although microfinance has continued to mature in some ways, overall it has not maintained the momentum of its early rapid growth.

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[33] AMIZ stands for the Association of Microfinance Institutions of Zambia and its main roles are to lobby Government for favourable policy, support MFI activities and dissemination of 'local best practices'. Most of the active MFIs are affiliated to AMIZ, including CETZAM and PRIDE. By 2003 there were 98 MFIs out of which 45 were affiliated to AMIZ. By 2004, only 21 posted information with AMIZ. In Zambia a number of institutions providing microfinance services are not MFIs. Some provide the services as projects (Musona, 2004). This might explain the inconsistency in reported numbers and clients served.

[34] Interestingly, Baumann (2004: 6) notes that most South African MFIs operate in rural areas. This is in contrast to the Zambian scenario.

Comparatively, microfinance remains relatively undeveloped in Zambia and the reported performance of most MFIs is below that of similar institutions in East Africa (Siame, 2004), many are found to be poorly managed, heavily reliant on subsidy, and vulnerable to waves of loan delinquency and even fraud[35]. In addition, they have reportedly suffered from a loss of trust. Yet it is still expected that microfinance can overcome the constraints that excluded the poorest and enhance economic participation of the poor especially women. In the section that follows, sample MFIs are briefly described to provide a backdrop to the findings later.

3.5 CETZAM Opportunity Microfinance Limited

CETZAM Opportunity Microfinance Limited, originally under the name Christian Enterprise Trust of Zambia (CETZAM) was funded by the British Department for International Development (DFID), and is one of Zambia's best known microfinance institutions. Headquartered in Kitwe,[36] CETZAM has branches in three (3) provinces namely, Copperbelt, Lusaka and Southern. It was founded in 1995 as an NGO with an expressly 'strong vision' to meet a social agenda driven by Christian principles to 'transform the lives of the poor' by 'providing opportunities to create employment and generate income through credit and training services'. This approach originally reflected the specific concerns of its founder members, which did not only see service provision as an end in itself, but rather as a way of responding to their public values. It therefore began by taking a 'missionary perspective' and sought to use the Christian biblical framework to shape a threefold (economic, social and spiritual) transformational development. Christian faith framed CETZAM's work and was such an important part of their work that it formalised prayer meetings called "devotions" held every morning in

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[35] Personal communication with the Director of AMIZ, May 2004 Lusaka
[36] At the time of the field study (2004), plans were under way to move its headquarters to Lusaka from Kitwe. Kitwe has remained as one of its five branches on the Copperbelt.

all its seven branches (for similar arrangements in faith-based NGOs see Bornstein, 2003)[37].

In 1996 CETZAM initiated a partnership with Opportunity International (OI), a global NGO to provide technical assistance to develop CETZAM as an independent partner micro enterprise organization. In 1997, CETZAM and OI entered into an agreement with the Department for International Development (DFID) to implement the Northern Zambia Enterprise Development Project (NOZAMED Project). The primary aim of the NOZAMED project was to address the lack of access to credit faced by the economically active poor on the Copperbelt (Musona, 2004). In 2002, CETZAM changed its name to CETZAM Opportunity Microfinance Limited.

Its first loans were disbursed in July 1998 and, through its group-based lending methodology, it originally targeted the poorest of the economically active population, especially women (CETZAM brochure, 2003). DFID agreed to provide £2.29 million in financial support for a five-year period starting February 1998 (Copestake, 2002). Initially, loans were disbursed on 'mercy' to help the poor through what Dichter (1999) calls the 'culture of compassion'. Within this religious framework, loan officers (field workers) were considered 'servants' of clients they were 'called' to serve, as part of 'God's work', and not career practitioners (Dixon et al., 2006). This religious orientation further shaped relationships within and outside CETZAM (see chapter 6).

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[37] Devotion appeared as a unifying force and faith was supposedly expected to pervade the personal and institutional conduct of life. Similarly, client meetings also opened with prayer and it was not unusual for loan officers to 'preach' to clients on selected bible verses –especially on those to do with good steward, discipline, love and loyalty (Field notes, 2003, 2004). As Bornstein (2003) also noted in faith-based NGOs in Zimbabwe, Christianity provided a dynamic rubric for microfinance work at CETZAM.

3.5.1 CETZAM's lending methodology

CETZAM offers its clients three types of loan products, two of which are delivered through the group lending methodology, namely Trust Bank and Solidarity Group[38]. The third type is individual lending. Its clientele comprises mainly women entrepreneurs although lately the percentage of male clients relative to that of women has increased. CETZAM expressly uses a group-based poverty lending methodology specially intended to target the poorest of the economically active population (CETZAM brochure, 2001). To qualify for a loan, a borrower needs no physical collateral, but must belong to a joint-liability credit group, as is the practice with most group lending methodologies. A loan officer then assesses the eligibility of potential clients, visits each group member's business to evaluate their financial situation, and trains them in CETZAM's lending methodology -including some basic book keeping skills- for ten weeks before disbursing loans to them. Trust Banks are thus supposed to become tightly knit self-support groups with the ability to transform their lives and communities. Self-selection of group members is a major element of the methodology together with joint mutual guarantees (Bastelaer, 1999; Matin, 2000). The individual lending loan product was initially restricted to the Lusaka branch only, but has now been gradually introduced to other branches on the Copperbelt.

3.5.2 Performance

CETZAM expanded quickly after it was founded. The first six years reveal an impressive start before problems arose. CETZAM originally claimed great success (in terms of client outreach), recording repayment rates of 98 per cent and over (Copestake, 2002; Copestake et al., 2001), with low percentages of Portfolio at

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[38] Membership in Trust Banks is between twenty and forty, comprising people with similar economic needs. Solidarity groups have five to seven members. Trust Bank members meet weekly, Solidarity fortnightly (CETZAM brochure). Loan officers go out to hold meetings with clients in their own environment. The data in this thesis is mainly based on Trust Bank and Solidarity loans and not on the individual lending loan product.

Risk[39] (PAR) and Portfolio in Arrears. This initial 'success story' led to a massive client outreach drive (see Figure 3.1) partly driven by outside donors as well as itself, for together they envisaged the conversion of CETZAM into a registered bank with a network of at least 20 branches serving 50,000 clients by 2005 (Cheston, et al., 2000). By 2001 CETZAM opened twelve branches (most eventually unsustainable), employed eighty-five (85) loan officers. The average number of clients per loan officer stood at 375 clients against an expected standard load of 350.

As Figure 3.1 shows, at first the number of borrowers was small, but soon rose quickly; approaching 16,135 by 2002, but then fell dramatically to 5,382 by the end of 2003 and then 4,050 by June 2004[40].

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[39] PAR (Portfolio at Risk =the outstanding balance of loans with overdue payments divided by the total outstanding balance) is a ratio for measuring loan delinquency. It is therefore a measure of loan quality that considers not just missed repayments of delinquent clients, but the remaining outstanding balance of loans. Thus, PAR captures the risk of not recovering the part of the credits disbursed which are still in the borrowers' hands and not regularly repaid. The determination of when a loan is at risk is based on the age of the arrears and can vary among MFIs. A 'cut-off' of 30 days is usually the norm.

[40] By December, 2005, CETZAM had 5,169 active clients and percentage of women clients stood at 74 percent (AMIZ, Microfinance statistics report, Dec, 2005).

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Client Population-CETZAM 1998-2005
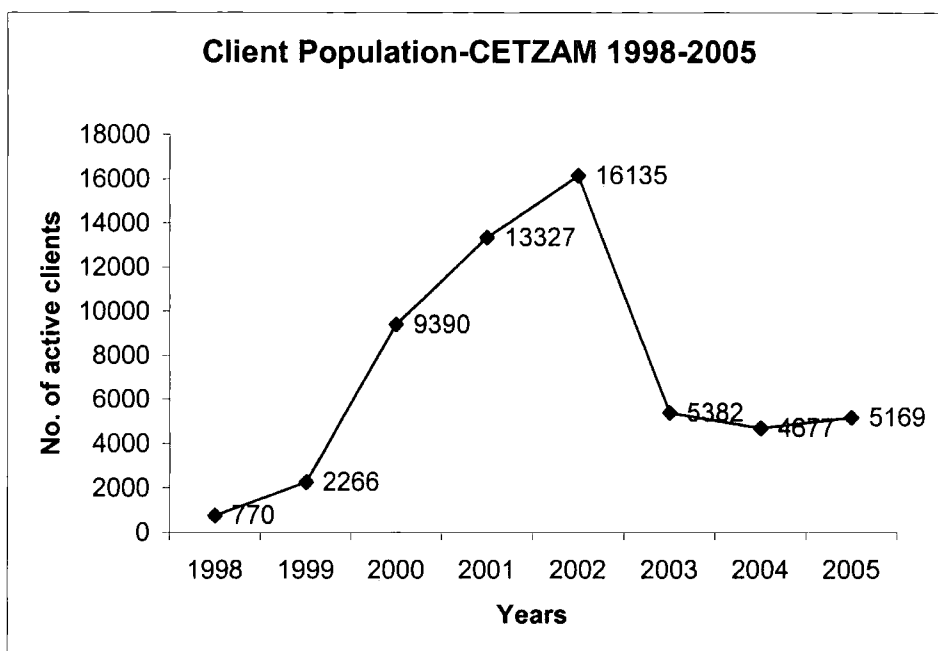
Figure 3. 2 CETZAM-Client Population July 1998 – Dec. 2005[41]

Source: Compiled from original CETZAM documentation and AMIZ Microfinance annual statistics report-Dec. 2005.

CETZAM, under pressure from its donors, underwent a major restructuring in 2003 that included policy, institutional and staff changes. CETZAM then reduced its number of branches from twelve to seven, and loan officers from 85 to 28, while the client load per loan officer fell to 192 from 233 in December 2002 (see table 3.2).

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[41] Client figures for year 2003 and 2004 in Figure 3.2 and Table 3.2 differ. The numbers in figure 3.2 were provided by AMIZ while those in table 3.2 by CETZAM. There is need to treat internal figures by CETZAM cautiously as they had not been verified independently.

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Table 3. 2 CETZAM's Trend Data (2000-2004)

	Dec2000	Dec 2001	Dec 2002	Dec 2003	April 2004	Dec 2004
No. of branches	7	12	12	07	07	07
No. of loan officers	-	60	85	28	26	35
Active clients	9,390	13, 327	16,135	5,402	4,901	6,214
Average client load per loan officer	-	222	233	192	188	180

Source: Compiled from CETZAM documents

By the end of 2003, PAR at thirty days and over stood at 30 per cent, while the percentage of portfolio in arrears was 22 per cent, signifying substantial 'delinquent' loans. The impacts of a major restructuring and policy changes were just beginning to have effects by mid 2004.

3.6 PRIDE Zambia

Promotion of Rural Initiatives and Development Enterprises (PRIDE) Zambia started, as Pride Africa in February 2000, following a project funding agreement between PRIDE Africa and the Swedish International Development Agency (SIDA). The initial Project agreement covered a one-year pilot period with options for extension to a longer term depending on how the outcome of the pilot phase was evaluated. The project's stated goal was the provision of financial services to micro and small entrepreneurs. After successful completion of the project phase, PRIDE Zambia was incorporated as a company limited by guarantee.

PRIDE Zambia has its Head Office in Lusaka and a 10 branch network in four (4) provinces namely Lusaka, Copperbelt, Eastern and Southern. There were 25 loan officers as at June 2004, of which 6 were female. By December 30, 2004, PRIDE Zambia outreach was 5,080 active clients, (60 percent women) and a loan portfolio

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of K5.6 billion. Portfolio at risk was estimated at 7.38 percent as at June 30, 2004[42]. PRIDE Zambia's performance, just like other MFIs in Zambia has not been particularly impressive (see Fig.3.2). It has encountered high client drop out rates of 40 percent on average between 2002 and 2004 (Musona, 2004).
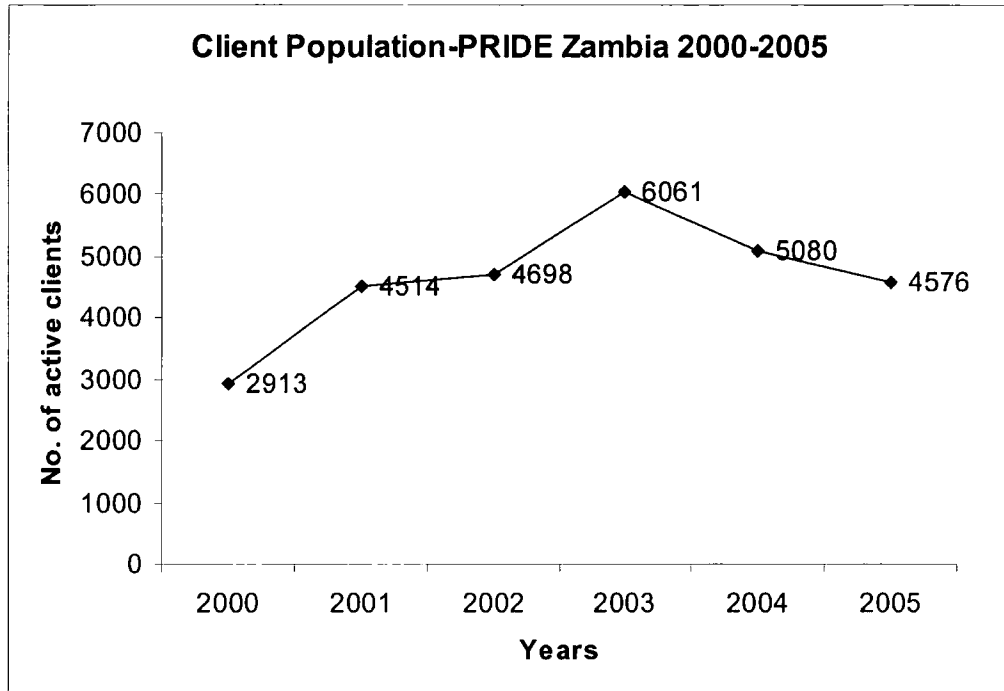
Figure 3. 3 PRIDE Zambia's client population: 2000-2005

Source: Compiled from original PRIDE Zambia documentation and AMIZ Microfinance Annual statistics report, 2005.

3.6.1 PRIDE Zambia's lending methodology

PRIDE Zambia advances loans to individual entrepreneurs through a group-based system. Prospective borrowers organise themselves in groups of five members

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[42] Reported figures on borrowing clients, PAR and loan portfolio could not be reconciled from three different sources. Figures reported in Musona's report (2004), AMIZ Annual Microfinance statistics (2003, 2004); the MIX Market website and what was made available for this study had many inconsistencies. The figures here need to be taken with caution. MFI sector in Zambia itself lacks one single credible database.

(called an Enterprise Group (EG)), which are federated at a Market Enterprise Committee (MEC). Ten (10) EGs are combined to form a MEC comprising fifty members who then elect MEC leaders. The self-selected persons in an EG are jointly liable for any loans made to peers in the group. According to PRIDE's methodology the MEC management committee chairperson is formally responsible for: organising registration, acts as spokesperson for the group, enforces PRIDE rules and regulations, conducts meetings and intervenes and assists to resolve conflicts between MEC members. The treasurer manages all matters dealing with MEC accounts, collects the loan insurance fund, loan repayment and any other fees from members. He/She is formally responsible and accountable for all money receipts and paper work for MEC. The treasurer is expected to assist the credit officers in verification and reconciliation of MEC member records. The secretary maintains minutes of meetings and handles all group correspondence. MEC meetings are usually held at PRIDE Zambia's office premises. Credit officers work directly with the MEC leadership to ensure loans are repaid on time. In theory, these are self-governing groups and the credit officer need not be active in running MEC activities.

PRIDE has four main loan products:

1. *Group Loan Scheme*: this is the longest established targeted at low-income entrepreneurs willing to work in primary groups of five members and confederated groups of fifty members. Initial loan size is K350, 000.

2. *Micro-loan*: this is targeted at micro entrepreneurs with very low incomes willing to work in groups of not more than twenty-five members. It has an initial loan size of K50, 000 (inflation has made this amount relatively meaningless and therefore the loan product hardly exists).

3. *Premium Loan*: this is targeted at medium income entrepreneurs who work in groups of five members. It has an initial loan size of K3 million.

4. *Salary Guaranteed Loan*: an individual loan targeted at salaried employees[43] with a maximum loan size of K15 million.

Both CETZAM and PRIDE Zambia use a group-based lending methodology but differ significantly in their target and espoused philosophy. As earlier discussed, CETZAM started as a Christian faith based NGO with a mission to 'assist the poor' – especially women[44]. Current brochures, however, state that: "CETZAM is committed to aggressively transform itself to become the best provider of financial services to meet the needs of the economically disadvantaged" (CETZAM brochure, 2004). PRIDE Zambia is not faith-based. It provides financial services to micro and small entrepreneurs. Its mission statement makes no reference to the 'poor' and has no explicitly stated client preferences, although 75 percent of borrowers are women (field notes, 2004). Common to both MFIs is the change of its senior managers. CETZAM for example has had three chief executive officers in eight years, while PRIDE Zambia has made two changes.

3.7 Microfinance Research in Zambia

The widespread interest in microfinance programmes elsewhere has generated an extensive literature reflecting the public attention that microfinance has attracted. In Zambia, however, there is little literature on the subject, while performance data are considered proprietary, and also difficult to access[45]. Although a majority of MFIs are publicly funded through international donors, they rarely disclose much information. Interestingly, studies have mainly been carried out by, or on behalf of, donors on the assumption that microfinance plays a vital role in alleviating poverty and creating employment. Consequently, the focus has been on impact

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[43] Salary guaranteed loans (SGLs) were just being introduced at the time of study and therefore not covered in the discussions. Secondly, the thesis is particularly interested in group loans, not individual lending. Observations and group meeting attended relate to the Group loan scheme.

[44] CETZAM places emphasis on its social mission –where it seeks to improve access to financial services, reduce poverty, empower women, build community solidarity or promote economic development. Social performance was therefore more central to CETZAM than PRIDE Zambia.

[45] Personal communication with the AMIZ Director – Lusaka, April 2004.

assessment, especially on programmes supported by DFID. For example, the few impact studies have concentrated on CETZAM (Cheston, et al., 2000; Copestake et al. 2001; Copestake, 2002), with an exception of one by Copestake, Bhalotra and Johnson (1998) of the Peri-Urban Lusaka Small Enterprise (PULSE). There are to date no impact studies conducted on PRIDE Zambia. Other researchers (Musona and Coetzee, 2001a, 2001b) funded by MicroSave-Africa, have documented data about client dropouts and the potential impact on product design with a view to improve client retention and also the use and impact of savings services.

AMIZ has conducted a few in-house studies about loan delinquency and related challenges. It holds a limited but dated library on microfinance in Zambia. In addition, there has been limited academic research. The literature is therefore limited and weak compared with other work elsewhere (such as Kenya, Uganda and Ghana), and also relative to the funds concerned. While research has addressed the impact of microcredit on poverty, less attention has again been paid to the loan officers – the real 'implementers' of microfinance.

3.8 Conclusion

This chapter has presented a brief comparative analysis of microfinance to demonstrate how microfinance has evolved and developed in SSA compared to that in South Asia and Latin America. Africa in general has lagged behind in terms of numbers of MFIs and client population as well as accompanying research exposure. It has also shown that microfinance in Zambia and the rest of SSA is still emerging, but largely donor driven and is also largely urban based. However, the performance of most Zambian MFIs (as shown in the cases studied) is less that of similar institutions in East Africa. Like other MFIs in SSA, Zambian MFIs primarily use a group based methodology and a majority of their clients are women. They also face challenges of 'good governance', low repayment rates, slow client intake, high operating costs and sustainability. The local microfinance

context like in other countries in the region, offers potential to extend financial services to the poor, but still remains an under-researched sector. Therefore given these similarities, Zambia provides a case study for understanding how microfinance works and knowledge gained here could form a basis for researching other emerging areas. The chapter has therefore clearly demonstrated that SSA is a frontier territory for microfinance, yet knowledge of how microfinance diffuses remains limited. Having contextualised the study, the next chapter explains in detail the methodology and how the process of gaining access and generating relevant data and analysis was negotiated and managed.

Chapter Four

Research Design, Methodology, and Procedural Validation

4.1 Introduction

As noted in chapter one and three, this research stemmed from growing interest in, and optimism about, microfinance as a strategy for poverty reduction on one hand, and the unexplained variable take take-up in SSA on the other. Chapter two found that discussions of the potential of microfinance are implicitly linear- i.e. they assume that implementation of microfinance 'best practices' necessarily lead to positive development. However, such a top-down view overlooks the intervening work of the loan officers whose interaction with clients also shapes and reconstitutes MFI policies and processes in diverse ways.

This chapter therefore states the epistemological assumptions, theoretical perspectives, and methodology of the field research itself. The implications of different epistemologies are contrasted to justify the constructivist methodology chosen. One important element in contrasting a research design is the consistency of the method through which the research question is asked. The goal therefore, is to develop a research strategy that will help achieve the aim and objectives developed in chapter one. The key question concerns what data collection and analysis methods afford the most chance of studying microfinance in action in dealing with these research questions. It also gives emphasis to the pilot study that was conducted at the beginning of the fieldwork. This is because, it marked a transition from much of theoretical thinking about the research process, to what was practically achievable in the field.

The chapter first makes a note on the role and place of literature in this study, and then describes the research design, covering access procedures, choice of sites and institutions, methods of data collection, and how the design was

adapted to the emerging nature of the problem in context, including procedures and methods intended to give added validity and rigour through triangulation.

4.2 Role of literature and Grounded theory: A brief note

As there was an absence of substantive theory that explains how microfinance works, earlier literature review served to increase an awareness of the gaps in the knowledge (Cutcliffe, 2000), and current thinking in the area (Strauss and Corbin, 1998) but did not provide the researcher with an implicit theory which could be tested. Traditional grounded theory in principle ignores reviewing any of the literature in the substantive area under study (Glaser, 1992; Mills, Bonner and Francis, 2006). However, later approaches to grounded theory take different opinions on the role that previous literature plays in the research process. For example, Strauss and Corbin (1990, 1998) argue for a flexible approach to the use of literature in the identification of the research problem and support for emerging theory. Glaser on the other hand, argues that this can bias the researcher (Glaser, 1992). Others argue that, timing does not matter, as long as the analyst is critically analytical of literature at all times and does not allow existing knowledge to pre-empt identification of the research problem or formation of emergent theory (Mc Callin, 2006). In practice, no potential researcher is an empty vessel (Cutcliffe, 2000) or goes in the field concept free Schwandt, 2000). In this case, what was known from earlier literature shaped, but did not necessary determine, what was "found" (Charmaz, 2005). What this difference of opinion indicates is that there are fundamental differences between Glaser's and Strauss's version of grounded theory.

The thesis used principles of grounded theory flexibly because research on the role of loan officers is generally under-developed or relatively ignored and thus microfinance literature offered little direct theoretical or empirical guidance. The researcher maintained sensitivity to data (Heath and Cowley, 2004) throughout the research process. Though presented ex-ante, the second body of

literature specific to emerging categories such as emotional labour, role conflict and ambiguity and accountability was accessed and introduced ex-post. Therefore the literature in the substantive area is positioned in chapter two and subsequently discussed in the data analysis chapters because the researcher aimed at 'sign posting' the reader and for purposes of maintaining the flow of the 'unfolding story' of the loan officers. Ultimately, how literature is positioned remains a matter of debate.

4.3 Establishing a Research Paradigm

Research is often categorised into two distinct types: qualitative and quantitative based on the nature, objectives and questions of the research and the type of empirical data sought. Quantitative or qualitative, researchers approach their studies with a particular paradigm (Creswell, 1998). The term paradigm refers to: "basic set of beliefs or assumptions that guide action" (Guba, 1990, p.17) or "the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge" (Hussey and Hussey (1997, p. 47). Denzin and Lincoln (2003) on the other hand refer to paradigm as the basic principles and values encompassed in the researcher's epistemological, ontological, and methodological assumptions. These basic beliefs will be reflected in how the researcher designs the research, how they collect and analyse data (Bryman, 2001; Crotty, 1998; Gummeson, 1988; Maykut and Morehouse, 1994; Morgan, 1979).

Detailed consideration of epistemology, ontology, theoretical perspective, and methodology can be neglected in journals and papers about microcredit/microfinance, particularly where, as Booysen and Arntz, (2003) observe, 'most of the studies are practitioner led, donor driven with little interest in methodological rigours'. Quantitative researchers are often guided by the positivist paradigm that assumes an epistemological stance where research is ideally claimed to be objective, detached and unbiased. The quantitative

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researcher seeks causal determination, prediction, and equivalent generalization of findings (Amaratunga et al. 2002) which are assumed to be independently derived (Bryman, 2001; Denzin and Lincoln, 2003; Laws, 2003), where the researcher can disengage from what is being researched (Evans, 2000; Hussey and Hussey, 1997). In addition, 'reality' is inferred to be singular, and so devoid of social influence that, if this had been the approach here, it could have bypassed the prior social and cultural construction of the 'variables' then studied (Silverman, 1998) and could also have inhibited valuable data by imposing preconceived constructs and views on the actors themselves (Creswell, 1998) in a situation where microfinance is itself an emergent phenomenon.

Alternative epistemological perspectives (such as contructionism and subjectivism) view the world as socially constructed and also espouse multiple realities (Bryman, 2001; Scapens, 2004; Silverman, 2005), in which the researcher cannot step outside, and must seek to interpret in different evolving contexts. This study draws from constructivist and interpretive paradigms, because of their relativist ontology, which assumes the existence not of one truth, but of multiple possible realities. Such a position focuses on processes by which meanings are created, negotiated, sustained and changed within a specified context.

Based on the constructivist paradigm, *all* meaningful reality [and knowledge] is socially constructed (Crotty, 1998; Denzin and Lincoln, 2003; Gephart, 1999; Patton, 1990) by actors in different ways. Researcher and the researched, in this view, emerge as co-makers of meaning through their interaction (Lincoln and Guba, 2000; Tembo, 2001). Given the focus on how microfinance actually works, the field based work of loan officers, and especially the 'oral' character of much microfinance work, cannot be entirely encompassed by a positivist approach. The constructivist approach is therefore most interesting and appropriate for answering questions about how loan officers construct the nature of their work and their experiences and what follows from these.

4.4 The choice of a qualitative approach

Microfinance (as originally intended) is an oral phenomenon intended to be participatory by nature. It has long targeted the poor, a majority of whom lack high literacy levels (especially written communication) (Paxton, 1999; Porter, 2003) and also promoted as a 'bottom-up' development strategy. This implies that researching microfinance from the 'grassroots' may require an adaptation of standard textbook research methods to its unique-and emerging-nature. For instance, can one research an intendedly 'participatory' process like microfinance in a non-participatory way as often implied by a positivistic approach? How can research be adapted to highly 'oral' and low literacy/transparency cultures? These questions have important methodological implications because most microfinance clients are women, with low literacy levels and easily 'intimidated' by formal procedures and also tend to have an aversion for numbers. Therefore, since this study did not ask whether, but rather *how* microfinance works, actual interactions between loan officers and clients had to be closely observed. The intention was to capture the 'ambiguities', tensions and contradictions in the real-time 'messiness' of loan officers' work and also bring out the social character of microfinance work. In addition, loan officers had to be understood in terms of what they observably do as well as what else they claimed, which also meant interviewing them as well.

This approach departs from the usual evaluation and impact driven concerns (Mosse, 2005) which have focused on 'proof' of impact, and appropriate definitions of success or measures of progress (like loan repayment rates) and achievement as required by programme sponsors. Rather like audits, impact assessment studies in microfinance tend to look for depth of outreach and direct impacts on clients and are conducted by donor appointed specialist short-term contractors, often mid-way through donor programming cycles (Copestake, et al., 2001). Impact and evaluation studies thus seek to answer the 'How Much' and 'How Many' type questions and give limited space for loan

officers/fieldworkers to share their experiences about how microfinance actually operates.

A fundamental argument of this study is that, in order to understand the processes of microfinance, it is necessary to understand the actual role loan officers perform. Such an understanding can best be grasped by talking to loan officers and observing their interactions with clients. The field study therefore took an interpretative approach to what was *going* on. Its aim was not to make a judgement about loan officers' successes and failures or to prescribe solutions to actors' and organisational problems. In short it departs from previous evaluation and impact driven research. The research problem therefore, necessitated the use of a multiple or combined methodology (Ahmad, 2000; Lapsley, 2004; Sayer, 1992), originally derived from sociology and anthropology, rather than standard economic evaluation (Cloke, 2002). The actuality of investigating microfinance meant using a design that was flexible, less structured, more interactive and also adaptive to an emerging field. Its design and methods needed to fit its unstructuredness while allowing perspectives of different actors to emerge.

As a study of an ongoing financial innovation (microfinance), which is expressly, socially purposed and organized among a largely disenfranchised, socially marginal population, it was important to use a methodology that gave 'voice' to the main actors concerned (Brett, 2006). The researcher sought to explain the actual role and experiences of loan officers unobtrusively, without assuming objective detachment (Stoner and Holland, 2004). From a methodological point of view, a case study method was therefore adopted, emphasizing more in-depth, exploratory study (Denscombe, 2003) to help gain richer insights (Scapens, 1990). Case study research is considered to have a distinct advantage when a "how" or "why" (or exploratory "what") question is being asked about a contemporary set of events over which the investigator has little or no control (Weerd-Nederhof, 2001; Yin, 2003). The key feature of the case study approach is less method or data than the emphasis on understanding

observed processes as they actually occur in their context (Amaratunga et al., 2002; Yin, 2003), putting more emphasis on meaning than frequency (Patton, 1990; Simmons and Elias, 1994). Within the case study approach, a variety of types of data and research methods can be used (Denscombe, 2003; Llewellyn, 1999). It can also provide an opportunity for identifying intervening variables, which might be influential on the main relationship. However, the decision to use a case study approach, has faced criticisms about lack of rigour, excessive length and generation of massive data; and not being able to generalise the results as if evidence is just idiosyncratic (Scapens, 1990). These concerns have been addressed here by adopting a flexible research design that allowed the researcher to include a new case – PRIDE Zambia (following initial findings from a pilot study), as a comparator to help minimize the uniqueness effect of CETZAM, and also enhance generalizability. The strength of a case study methodology, however, is its ability to focus on the processes as they are embedded in a particular place or institution (Blake, 2006).

Microfinance thrives on social relationships and involves close personal interaction among groups of clients and loan officers central to it. It is a process that can involve actors' emotions when they act, think, and feel, with one another. This research involved investigating relations between and among social groups, and into how loan officers adapted to differing expectations of both clients and management. The 'soft' nature of the study differs from a quantitative approach which relies on 'hard' measures and *numeric* forms. To therefore access and observe it is necessary to actively interact with the actors being researched, and 'see' actions as if from their point of view in which they happen (Jeon Hee, 2004; Taylor and Bogdan, 1984 in Shaffir and Stebbins, 1991, p.5). Qualitative approaches were considered more appropriate to investigate these socially inter-related issues (Hall and Hall, 1996; Singleton and Straits, 1999). This meant looking at the type of data required before choosing appropriate methods for generating data (Amaratunga, et al., 2002; Marshall and Rossman, 1999) and being flexible in the choice of the most appropriate

methodologies (Hentschel, 1999). For Patton (1990) the issue is "whether one has made sensible methods decisions given the purpose of the inquiry, the questions being investigated, and the resources available". In addition, the methods had to be situationally responsive to enable an understanding of loan officers' actions and the meanings they attributed to those actions. As Miles and Huberman have argued:

> "Qualitative data with their emphasis on people's "lived experience", are fundamentally well suited for locating the meanings people place on the events, processes and structures of their lives: their perceptions...and for connecting these meanings to the social world around them" (Miles and Huberman, 1994, p. 10).

Therefore, the task of the study was to discover 'what was going on' in the processes through which MFI clients interact with loan officers, and positivistic methodologies that operate in a 'disengaged mode' were inappropriate for this purpose. In addition, the research questions are *exploratory* in nature. The intention is to understand the actual processes of microfinance from the perspectives of loan officers. So far there is limited understanding of how microfinance works in different continents and countries. With regard to microfinance in Zambia and its loan officers, limited research has been conducted thus far. This is where conducting the pilot study played a critical role. The exploratory nature of these research questions called for qualitative approaches by which a set of rich data could be gained (Silverman, 2001). In this study, the appropriateness of the research methodology was tested in a pilot study.

4.5 Gaining Access

> "It is foolish for the researcher to put too much work into a study that must be conducted in one particular setting unless he or she can be assured that access will not be denied" (Morse, 1998, p. 60).

The research site concerned is in a province of Zambia where the researcher had lived and worked for over ten years. 'Familiarity' as noted by Cotterill and Letherby (1994), can reduce initial problems of access, but can create other problems as well, and social class barriers can make one a 'stranger' in any known locality. In this case the researcher was both 'insider' as well as 'outsider' (Tadria, 1991). The 'insider' perspective came from being a Zambian with local cultural awareness and the ability to orally communicate in a local dialect (Bemba), especially with clients without the services of an interpreter. On the other hand, the researcher was an 'outsider' or 'stranger' (Argyris, 1970) to the institutions and its key participants - the poor and the loan officers - making social accessibility problematic. It was assumed that loan officers would be free to talk to someone 'native,' especially since non-nationals had conducted most research within microfinance before. This proved incorrect when fieldwork revealed that loan officers did not easily engage the 'politics' of MFIs and, even where they did, it took some negotiation before they 'opened up'. Therefore having both insider/outsider identities was potentially more enriching (Christensen, 1993) for improving access.

Access could not be negotiated on one single occasion but involved continuing negotiation and renegotiation (Ahrens, 2004; Bryman, 2001; Burgess, 1991; Hall and Hall, 1996). The first phase began two months before going fully to the field. As Mosse notes, 'for outsiders access to the workings of development agencies (or institutions) is difficult. For one thing, such agencies operate within a nexus of evaluation and external funding which means that effective mechanisms for filtering and regulating the flow of information and stabilising representations are necessary for survival' (2005: 12). Information is seen as a private good rather than public and, that being the case, access to quantitative data was restricted. Gummesson (2000) refers to access as 'the ability to get

close to the object of study, to really be able to find out what is happening'. Entry to CETZAM was not as problematic as that of PRIDE Zambia[46].

In both cases negotiations began with the chief executive officers, without whom the research would not have proceeded. As Peil (1993), cited in Mandel (2003, p.203) noted "even experienced researchers often assume that once top authorities have given their permission to, everyone lower in hierarchy will fall into line". It was still necessary to negotiate with operational managers in both organisations who were invited to write 'letters of introduction' to the branch managers, who then 'gave' access to loan officers with whom further negotiations in effect continued on a daily basis. Operational managers concerned about 'protecting' their own work time, expressed concern that the researcher would 'get in the way' of loan officers (under pressure to meet targets) and wanted to know 'how much time' the research required. Gaining access was therefore situationally specific, facing what Lee (1993) described as 'seemingly unlimited contingencies...' The process was ongoing, in which the researcher's identity was continually renegotiated across various branches.

As Tembo (2003) puts it, 'there is a negotiation process that has to be unpacked in the process of generating data' (p.233) which here meant dealing with contesting meanings, interests and power dynamics, of which the research was a part. Gaining access to the two MFIs was conditional - "Provided your research does not disrupt the work of loan officers". Lee (1993: 124) considers conditional access to be that where gatekeepers often 'allow' researchers into a setting but then use formal agreements and procedures to control their activities. In this case the injunction was; "do your research but do not disturb us". 'Physical access' gained did not guarantee 'social access' until loan officers appreciated it (Shaffir and Stebbins, 1991 in Harrington, 2003: 599).

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[46] The permission to study the two institutions began two months before the Pilot study with CETZAM and three months in case of PRIDE. This is because the researcher was working from the UK and correspondence was through e- mails and telephone. This relationship proved difficult because, at the time, both Chief Executive officers (CEO) and I were strangers. Negotiation with PRIDE took longer because the process stalled due to changes at CEO level.

Gaining 'social access' required developing trust (Marshall and Rossman, 1999) with loan officers, maintaining some distance from management and getting closer to staff (especially loan officers) at branch level. Interpersonal relationships were important in negotiating for both 'physical' and 'social' accessibility along with researcher's own identity (Marshall and Rossman, 1999). For example, at some point it was necessary to use the "native" facet of my identity (a Zambian and local university lecturer) to gain access to the loan officers and clients, while using the independent "researcher" facet (professional credentials) to align better with the executives. At times clients wanted to know whether I was a new branch manager or loan officer. Others asked: Are you from head office? Who are you doing this research for? Is it for donors or the MFIs? These questions from participants partly formed the basis for building up relationships and trust before they could engage with the researcher, while seeking to establish an appropriate field identity. Throughout the fieldwork, it was necessary to consistently establish my identity as an independent researcher from the Copperbelt University, and not a hired consultant, in order to gain some trust and 'acceptability'.

4.6 Selecting Research Sites and Institutions

Based on early experiences, it was decided to select the Copperbelt province, where CETZAM and PRIDE Zambia are represented in five and four out of seven towns respectively. But because of the methods the study was going to use, a prolonged presence and in-depth work would only be possible in a few locations. Three mining towns of Kitwe, Ndola and Chingola (Map 4.1), with a heavy presence of both organisations were selected for focused observation and detailed study and the other two (Kalulushi and Chililabombwe) for less detailed discussion.
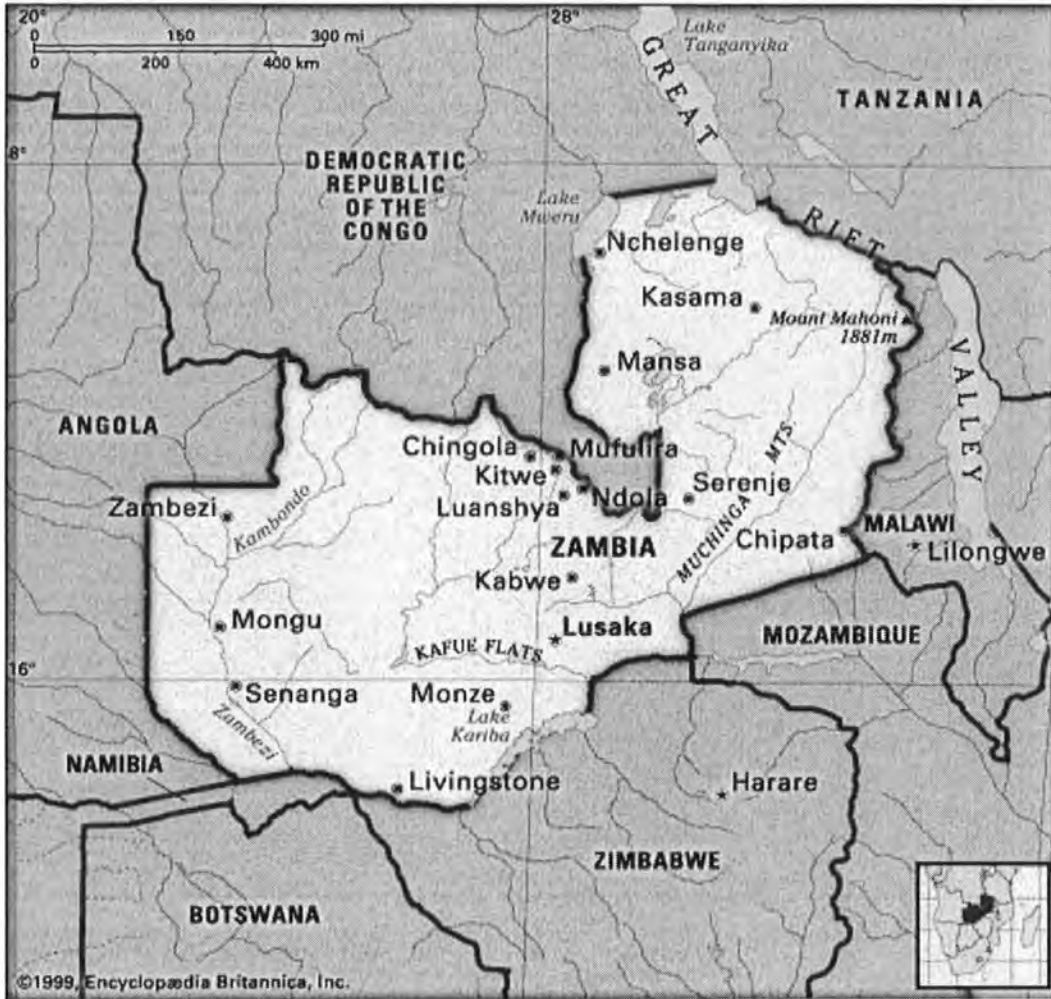
Map 4.1 **Geographic Location of the Copperbelt towns and Research Sites**.
Source: 1999, Encyclopedia Britannica Concise

The key criteria was borrowed from the case study approach, and has been determined by what Stake (2000) refers to as the *opportunity to learn*. According to Stake, the case study researcher examines various interests and selects a case of some typicality, but leans towards those that seem to offer *opportunity to learn*. The emphasis of a case study approach in drawing attention to the question of what can be learned from a single case is the key here (Stake, 2000: 446). Both institutions had been operational in the area for 5

years or more, which was important for understanding how Zambian MFIs have evolved, and gaining access to experienced loan officers.

In addition, with more urbanisation in Africa (Solomon, 2003), and urban poverty a problem (CSO-Zambia, 2004), microfinance is likely to be promoted increasingly as a poverty reduction strategy across Zambian towns and cities. The Copperbelt has the highest concentration of the country's poor (Zambia's Poverty Reduction Strategy Paper, 2002) and unemployment had increased after the privatisation of its Copper mines. The province has experienced a dramatic economic downturn which has been paralleled quite closely by the national dramatic downturn itself (Ferguson, 1999: 11). The study also had to be located in an area where the researcher would have a local language advantage to facilitate direct conversation and interaction with clients. As Simmons and Elias (1994: 13) noted in their study of 'Client-Provider Interactions' with family planning providers, "language barriers can keep not only foreign researchers but even managers... from understanding the exchanges between providers and their clients".[47] In addition, financial and time constraints had to be considered. Lusaka the Capital city of Zambia was a possible research site but did not qualify on the basis of the above factors-especially that of the MFIs representation in the area. Therefore no other province was as well qualified, for rural provinces could not be considered because microfinance in Zambia is mainly urban (Maimbo and Mavrotas, 2003; Musona, 2004).

CETZAM is one of the largest MFIs in Zambia, having established itself in 1995. Prior to the fieldwork, CETZAM had 16,000 clients (of which 12, 000 were on the Copperbelt), 12 branches and 85 loan officers (see chapter 3). By the levels of development of the microfinance sector in Zambia this is

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[47] Zambia has 72 dialects and 7 main vernacular languages. It is possible to be Zambian researcher and be regarded a 'foreigner' due to language barriers. I was going to use an interpreter had this study taken place say in Southern province of the Tonga people.

considered large[48]. The other main factor was that CETZAM offered opportunity to learn and was more enthusiastic and co-operative from the very beginning, while others were less responsive. After analysing the pilot data, it became evident that to get a clearer picture of microfinance and the actual role of loan officers, a second MFI with a different mission/purpose, but operating in the same area also needed to be studied. The flexibility within the research design allowed such a decision to be taken. This would maximise the possibility of demonstrating different perspectives on the subject. The two MFIs were thus selected not only on size or reputation, but also accessibility for research purposes (Creswell, 1998). This does not suggest that CETZAM and PRIDE Zambia are the only MFIs on the Copperbelt, but others (like FINCA) were either relatively new to the province (i.e. less than 2 years old), or else still small scale. In the two selected MFIs, loan officers were the major unit of focus on the basis of their relevance to the research questions.

4.6.1 Fieldwork Timing

The main fieldwork was carried out during 'normal time'- from May to July 2004 - in order to minimise the adverse seasonal effects. This was a harvesting period, normally characterised with much local selling and buying of produce in the markets. The pilot study, on the other hand, was undertaken during the rainy season (November and December, 2003) and, according to the loan officers, these were 'bad months' for business where most clients began to default or struggle with arrears. 'Delinquency' was therefore more pronounced during this season due to reduced economic activities of their clients who find it difficult to conduct business in open markets (with no proper roofs) or sell by the road side (see figure 4.1 of a typical market). The dry season is ideal in the sense that rains

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[48] The pilot study revealed CETZAM was in crisis and these statistics had changed drastically. At the time of phase two of the fieldwork, client numbers had reduced, 5 branches closed and loan officers were reduced to 26. In addition, size and level of development of MFIs in Zambia compares unfavourably even with regional MFIs in East Africa.

would not disrupt trading and group meetings.[49] For mobility logistics, fieldwork, needed to take place when roads were dry and passable.

Figure 4. 1 Typical Open Market – Kitwe

4.7 Learning from the Pilot Study

The pilot study was conducted for six weeks (November to December, 2003) with CETZAM, branch 3[50] on the Copperbelt. The branch had 6 loan officers at the time, and less than 800 clients with active loans. The researcher went to the

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[49] Some CETZAM Trust Bank clients met under trees and in open space. But rains would also have been a good excuse for PRIDE Zambia clients for not attending group meetings, even though they had proper meeting places compared to those of CETZAM.

[50] As with the rest of the thesis, the names of Microfinance institutions (MFIs) are real but the names of people are disguised for the sake of confidentiality, as promised. This pilot study was based on one branch out of the five branches on the Copperbelt.

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field with an open mind in order to learn from the actors at the grassroots (the loan officers) and also flexible enough to adapt the actualities of microfinance in action. At the end of the pilot study, preliminary findings and what was learnt from the study process, was produced and discussed with my supervisors. For example, it was learnt that organizing focus group discussions with clients was more problematic than had been anticipated given the intra-group power dynamics and other (constraining) cultural factors. The lessons learnt from the pilot study were especially valuable because they produced fresh insights into an issue which was differently theorized before and shaped the data collection methods for the main field study.

4.8 Data Collection methods

"Data of whatever form do not just appear or lie around waiting to be casually picked up by some passing social researcher but have to be given form and shape in order to qualify as data; made relevant, in a word, to a research problem" (Ackroyd and Hughes, 1992: 3).

Although loan officers and clients individually make meaning of their experiences, these meanings are still shared from a social or cultural point of view (Arce and Long, 2000; Walker, 1996 in Tembo, 2001, p. 17). From this understanding, data for this study were gathered through a combination of semi-structured face-to-face interviews, participant observation and 'shadowing' of loan officers, group discussions, questionnaire and informal interview/discussions with selected loan officers, MFI managers and clients, as well documentary searches. Interviews were also conducted with local specialists in microfinance and former loan officers.

Bulmer (1993) and Denscombe (2003) however, point out that methods of collecting data have particular advantages and disadvantages and that no one source could therefore be judged necessarily superior to another. As a result, different methods were selected, first for their ability to provide insights into the

dynamics of loan officer-client interactions and relationships, and secondly, in accordance with the particular circumstances encountered in the field to elicit different perspectives on a specific issue, or to investigate different aspects of the same research question. The opportunity to see things from a different perspective and triangulate findings does not however prove that the researcher has 'got it right'. The research methods adopted were guided by the processual questions of *how* and *why*, (Mikkelsen, 2005) and designed to develop an in-depth understanding, even empathy, for the research participants and gain insights into how they saw their actions within the contexts of microfinance of which they are a part.

4.8.1 Interviewing

Burgess's term 'conversations with a purpose' captures the description of interviews (1984, p.102). The purpose was to elicit the perspective of the person being interviewed (Patton, 1990). Given that there is limited research and literature on loan officers' work in microfinance, the interviewees were arguably more like teachers than subjects to the researcher. As Denzin (1978b, cited in Patton, 1990, p.24) has noted, too often social scientists "enter the field with preconceptions that prevent them from allowing those studied to 'tell it as they see it'" The research aim was to let the interviewees tell their own story in their own way and discuss issues that were important to them, while appreciating how and why they may come to have any particular perspective (Amaratunga et al., 2002).

4.8.1.1 Individual interviews

Of the 60 individual interviews conducted for this study (31 for CETZAM, 22 for PRIDE Zambia and 7 with external informants), a majority of interviewees were loan officers. Interviews were semi-structured and/or based on informal discussions. All were conducted in English except four with clients where the

local dialect (Bemba) was used[51]. A semi-structured approach was taken in order to encourage interviewees to participate in a 'loosely guided conversation' (Horton et al., 2004; Maykut and Morehouse, 1994) as well as enable certain responses to be questioned. With this approach, clients and loan officers were allowed a degree of freedom to speak in their own "voices", thereby increasing their propensity to "tell stories" (Llewellyn, 2001). As the interview progressed the researcher focused and re-focused the conversation into issues of relevance to the research agenda (Goddard and Assad, 2006). However, while having an interview guide (see appendix 2), other questions emerged as the interview progressed (Eyles, 1988). While it might be argued that the interview guide imposed some structure on each interview, the researcher attempted to ensure that interviewees' perspectives were gained, and therefore avoided using it in an overly constraining manner (Patton, 1990). Informal discussions with clients provided a 'check', exploring the fit between loan officers' and clients' perceptions. In addition, interviews were conducted with senior MFI managers regarding microfinance in Zambia, their organisation's niche and, more importantly, their loan officers[52].

Because of the intense work schedule of loan officers, interviews took place at their convenience around their work places between 08.00 am and 10.00am[53]. It is worth emphasising that dealing with uncertainty was part of the fundamental skills learnt. As noted by Bedard and Gendron (2004), the researcher needs especially to tolerate the uncertainty and frustration of not controlling the data collection process. For example, in spite of efforts to schedule interviews, a number were cancelled and rescheduled at short notice, while staying polite and

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[51] Where clients were not comfortable using English, they would either have restricted themselves to short answers, depriving the researcher of much valuable information, or withdrawn from the interview because they did not want to be embarrassed.

[52] Interviews lasted from between 45 minutes and one and half hours. For loan officers, the duration was 1 hour at most.

[53] Goetz (2001) in her work on women development field workers in Bangladesh reports conducting many of the interviews with fieldworkers at night either in office quarters or in homes. This was due to the heavy work schedule of most of the respondents. Holding interviews at night in my research environment was not feasible. Mobility at night is difficult and insecure.

considerate; to be prepared to go away and return if need be, even if the interview was prearranged; and not to 'hurry' them. Interviewing loan officers cannot be done on a tight time schedule without compromising the quality of the data collected. Most loan officers agreed to have interviews tape-recorded, often with a strong reminder to keep them out of management's reach. As one loan officer observed; 'will management have access to this tape'? This underlined the importance of being trustworthy in the eyes of interviewees and the validity of the data may depend on it. The interviewee was assured of the promised confidentiality but methodologically, it meant using methods that were less threatening and created space for loan officers to express their feelings.[54] Most interviewees continued to provide information when the tape recorder was turned off, meaning that the researcher had to remain fully concentrated until the very end of the interview. Such information was rapidly taken into note offsite.

However, interviews were not spared from the technological 'benefits' of mobile phones. Interviews with loan officers also suffered disruptions from clients-especially at PRIDE Zambia, where clients hold their meetings at the branch offices, unlike CETZAM who travel to clients. In some cases the location offered little privacy and therefore had a bearing on what was discussed. For example, a middle manager at his office indicated that loan officers created problems for the organisation regarding client outreach. However, when space was created out in the field away from the office, the informal conversation with the same manager suggested that management lacked appreciation of loan officers' situation. Thus Patton's (1990) caveat that "interviews present the understandings of the people being interviewed, and that interviewees report selective perceptions" (p. 205) was appropriate. There were also cases where interviewees gave answers they thought were expected, or to impress [me] the interviewer (Peil, 1982). For example, answers like: 'I have a heart for the poor

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[54] I had to reassure interviewees (especially loan officers) that I was not working for management and that the research was an independently minded academic enquiry. I however had no difficulties recording interviews with senior managers and branch managers except for one branch manager who refused to have the interview recorded. In this case, I relied on note taking and expanded notes later in the evening.

people' to a question: 'Why did you join this organisation?' were suspicious when checked against what was revealed in informal discussions. Interview data therefore, tells you what informants say they do –but needed to be checked regarding how this relates to what they are observed to do.

4.8.1.2 Informal Interviewing

Data also arose from spontaneous discussions with loan officers during observation periods. These could be triggered by events or a lull in activity (e.g. when travelling to and from group meetings or following up those in arrears). The questions in these discussions were opportunistic and unstructured (Bowler and Isobel in Dingwall, 1997, p. 67). This kind of interviewing became dominant given the informality of microfinance and revealed nature of the loan officer's work. Loan officers thus required space in which they could communicate freely and effectively and informal interviewing and conversation while making observations in the field created the space which formal interviews could not provide (Eyles, 1988). Patton (1990) notes that the interviewer here needs to maintain flexibility to pursue information in whatever direction appears to be appropriate, depending on what emerges from a particular setting (p. 281). Devereux and Hoddinott (1993) in their book, "Fieldwork in Developing Countries" support the use of unstructured interviewing as friendlier and less intimidating[55].

Doing research in Zambia, with MFIs working with the poor (who are spread out in open markets and communities), usually involves walking, motor biking or using public buses (see figure 4.2). This is what loan officers do and it was necessary to fit in their daily routines and so these journeys were usually

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[55] Most MFI clients in Zambia are women and a great number of these have low literacy levels and therefore felt uncomfortable with the formal interviewing. However, it was the environment where their businesses are conducted that determined how I collected data from them. Interviews took place at markets where their businesses are (except for 3 that were interviewed in their homes). The formal approach was not suitable and I only took notes after I had left the interview situation. Recording an interview always attracted on lookers and proved quite disruptive.

conversational. These conversations were often illuminating and provided further information which was not always available during more formal interviews (for example, box 1 shows the issues discussed).

Figure 4.2 Motor biking: female loan officer taking a ride from her male colleague[56].

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[56] Researcher experienced that kind of a ride to one of the Trust bank meetings with a male officer. The experience was scary as I had never been on a motorbike before! What saved me from 'falling' off was my firm grasp of the loan officers' waist!

Box 4.1 Informal conversations during travels with loan officers

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Conversation with CETZAM loan officer

Context: This loan officer had spent two and half hours (instead of one) in a meeting with a Trust Bank, trying to put their accounting records in order. The group treasurer was in attendance but unconcerned with the state of record keeping. So the loan officer took over the roles of both the group leader and treasurer to ensure money was collected.

After the meeting:
Loan officer: Did you see how long it took to address those book keeping problems?
Researcher: Oh yes!
Loan officer: You see, we had cases of loan officers being fraudulent where they take advantage of the illiteracy levels in Trust banks (TBs) and 'eat' their money. Sometimes loan officers would collect money from TBs that have been written off without depositing money with CETZAM. Fraud has been rampant. **The loan officer continues**, "This job is very demanding and sometimes it affects you so much that you need a good sleep to have a clear mind.

PRIDE Zambia loan officer.
We were on our way to a MEC meeting (away from their branch office) and the loan officer began the following conversation:

"You know, this is a hectic job you know, one knocks off with headaches everyday and there are so many queries such that, headaches are the order of the day. You can't even put on weight because we rarely have lunch but spend ourselves a great deal. Besides, you have to be an honest person because we handle money and sometimes clients give money to us anytime anywhere. So we are on duty all the time. If one is not honest, client's money can't be properly accounted for."

Such informal conversations revealed what could not be gained through formal set ups. In this case, two loan officers from two different MFIs raise similar issues: nature of their work, dishonesty and fraud. Their work was so intense that they felt a sense of, 'being on duty all the time'. It had not been realized (during the formal interviewing) just how prevalent fraud was in the two MFIs until loan officers found real space to disclose such sensitive matters.

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4.8.2 Focus group interviews

Focus group interviews are a valuable tool of investigation allowing researchers to focus upon group norms and dynamics around issues they wish to investigate (Bryman, 2001; Krueger and Casey, 2000; May, 2001; Morgan, 1993; Krueger, 1994). Unlike individual interviews, the focus group is dependent upon social interaction between participants (Cronin, 2001; Morgan, 1988). In this case the focus group interview was used to produce data and insights that would be less accessible without the interaction found in a group. It aimed at understanding how loan officers feel or think about an issue, product, or service. Participants were encouraged to share points of view without pressurising each other to reach consensus. This interaction created an opportunity to observe interactions among loan officers as they validated each other's everyday experiences and accounts based on what they know and nature of relationships in the field (Krueger and Casey, 2000; Morgan, 1998; Robson, 2002; Tembo, 2001).

The focus group was selected as one method for data collection for the following reasons. First, an exploratory method was desired. Second, as a study based upon grounded theory (Goddard, 2004; Strauss and Corbin, 1990, 1998), an open ended, rather than deductive approach to data collection was required. Thirdly, because one aim was to examine loan officers' roles, it was important that a method allowing for group interaction and testing their own capabilities to work as a group (as required of clients by the group lending methodology) was chosen (Bryman, 2001; Smithson, 2000). This facilitated an understanding about why loan officers feel the way they do and how they together make sense of it.

4.8.2.1 Focus group participants

Fifteen loan officers from CETZAM and PRIDE Zambia, who were available to meet at a common time and location, participated in the focus groups. Out of

fifteen, only three were females.[57] Loan officers ranged from 23 to 35 years old, and their employment ranged from 3 months to 4 years. Two separate focus groups (one for CETZAM and for PRIDE Zambia respectively) were held on different days. Prior to the group discussion one loan officer asked, 'who else is going to be with you?' which could be interpreted as asking for space and wanting to be with someone they could trust[58] for fear of being reported to superiors. The focus group meetings therefore took place on two Saturdays, at the Copperbelt University, Business School conference room, away from their organisations' premises. Participants were not paid but were informed that bus fares would be reimbursed and refreshments provided during the focus groups.

4.8.2.2 Procedures

The two focus group discussions lasted 1 hour and 45 minutes each, as a reasonable time period in which to expect the loan officers to stay focused on the topic. After the introductions, it proved useful to let the participants know that the opinions of all were important for the research project and valued. Some ground rules were used to order discussions. It was emphasised that there could be no "right" of "wrong" answers to any questions and that they were free to disagree on issues. The response was: "free space at last!" This was important as most Zambians have been socialized to agree outwardly with others' opinions and to reserve their own. This approach worked out well for the groups as it encouraged participation even from loan officers with less experience[59]. In addition, loan officers in each group were not strangers to each other and did not publicly disclose years of experience and qualifications (a demographic

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[57] All the nine credit officers for PRIDE were invited, seven turned up, representing all the three branches on the Copperbelt. One female and six males participated. CETZAM had 19 loan officers in 5 branches. 8 turned up, representing 4 out of 5 branches. In attendance were 6 males and 2 females.

[58] While as some researchers (Greenbaum, 1991; Carey, 1994) argue that an experienced researcher does not necessarily have skills needed for leading a focus group, I moderated both groups because loan officers did not want a 'stranger' in their midst. I think that I also had been observed, evaluated and could be trusted. Secondly, I could not hire an outside moderator due to financial constraints.

[59] Focus group for Pride Zambia had 3 newer loan officers a year and less experience.

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questionnaire had been completed by each one at the start of fieldwork). Loan officers were reminded of the purpose of the study and asked for permission to audio-record the group discussions before switching on the recorder, to which they did not object. It was again emphasised that, the purpose of the group discussion was not to judge opinions (as this can be limiting), but discuss different perspectives and experiences (Morgan (1988). Since discussions were held on a Saturday morning when loan officers did not do official work, the time requested had to be adhered to except for one group that agreed to a 15 minutes extra.

However, focus group discussions were difficult for probing sensitive management related issues such as where loan officers felt that management lacked passion for the work of microfinance and the poor. Most participants were reluctant to express their independent views (but the same loan officers had been very open while observing them in the field). Each loan officer (though familiar with each other) was not always sure whether other participants in the focus group would disclose information and did not want to be seen to be 'against management'. Although, discussions were recorded, there is a possibility that certain group dynamics (Robson, 2002) and other non-verbal cues could have been missed out as result of combining the role of a moderator and that of researcher.

Focus group discussions with clients did not take place because of the lessons drawn from the pilot study. Group discussion with clients revealed that it is not only those who are vocal that talk more but also that men could dominate women, the older dominate the younger, and that generally only group leaders' views were tacitly accepted as 'representative'. In addition, loan officers influenced the selection of participants, which raised questions about client – loan officer patronage. Above all, may had busy schedules and it proved very difficult to get them all together at the same time. It was important not to keep

clients from remunerative activities critical to their ability to support their families.

However, realizing that interviews depend on people's capacities to verbalize, interact, conceptualize and remember (Mason, 2002), understandings are not conceived as facts. In addition, interviews may suffer from 'courtesy biases' (Claude, 1998) and possibility that individuals may simply give the known public account and little else, observations and informal conversations were therefore used as a check. The researcher accompanied loan officers to their daily work to observe their interactions with clients.

4.8.3 Observations

Researching microfinance in action calls for observing *live* what happens. Thus Marshall and Rossman argue that:

> "Observation is a distinct way of collecting data. It does not rely on what people *say* they do, or what they *say* they think. It is more direct than that. It draws on the direct evidence of the eye to witness events first hand. It is based on the premise that, for certain purposes, it is best to observe what actually happens" (1999, p. 192).

For microfinance in practice, it is useful to observe what happens and 'shadow' loan officers' actual time with clients. The resulting data pertains to observed interactions, rather than to another actors' subsequent rendering and recollection of what occurred. Observing program operations and activities gave a detailed, first-hand and multidimensional picture of the loan officer's role and enriched understanding of their verbal accounts and the context within which they operate. Secondly, this firsthand experience allows for the researcher to be more open, discovery oriented, and inductive (Patton, 1990). The value of these observations and 'shadowing' (McDonald, 2005) was that they provided the researcher with both informal and unstructured opportunities for inquiry (Solomon, 2003) and to identify issues to be pursued later. In addition, the researcher could experience the shape and form of loan-officers' day and

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discover recurring patterns of behaviour and relationships (Marshall and Rossman, 1999) between loan officers and clients, and their supervisors. It also created an opportunity to learn about other matters participants were less willing to be interviewed about (Mason, 2002; Mikkelsen, 2005).

There were several opportunities for doing this. For example morning staff meetings[60] (which they described as 'ritualistic') between loan officers and supervisors were observed, and so were MEC and Trust Bank meetings and 'delinquency' follow-ups. This enabled a more direct type of observation, the "participant as observer"[61] approach (Adler and Adler, 1994; Denscombe, 2003). To understand, or indeed capture, microfinance at work, the researcher must ideally be on site, not only to see but also listen to what occurs (Kalnins, 1986, in Marshall and Rossman, 1999, p. 133) in their world. By observing and interviewing individually and collectively, the researcher became aware that actors often presented themselves differently in different contexts and for different audiences. Therefore an interview or informal conversation could also be used to validate the meanings of what had been observed. A primary source of data was thus the words and actions of the actors concerned. To guard against forgetting, field notes were written at the very earliest opportunity, in most cases at the end of each day, along with crucial events observed during lunch breaks (where the break occurred as it was rare for loan officers once out of their offices to have lunch a break).

Observation therefore enabled collection of 'real' information on the key issues arising. If loan officers are the 'link-pins' between clients and MFIs how was this actualized in practice? A truer picture, though not always vivid enough, of loan officers' role and 'real' time with clients thus emerged from the field.

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[60] The researcher attended morning staff meetings for CETZAM and not PRIDE. PRIDE did not have such an institutionalised arrangement.

[61] Participation in this case meant 'being there' and where the researcher's identity as researcher is openly recognised and takes the form of 'shadowing' a person or group through normal activity, witnessing first hand the unfolding events. Therefore the participant observer role did not involve total immersion (Denscombe, 2003, p. 202-203).

However, these observations were not always pre planned, but were captured in the process of moving around townships and markets with loan officers or indeed attending client group meetings. Such encounters and unplanned conversations, like the example below, extracted from the Nvivo document browser, were particularly revealing.

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7/7/04 Branch 1, chimbwi township MEC 3
Accompanied the credit officer to the meeting and found no one at the meeting place. They all came late, one hour after stated time. The credit officer was not bothered by the development.
While waiting for clients to come, we chatted over a couple of things and it became apparent that the credit officer was disappointed or disturbed by some developments at the office. From nowhere this is what followed:
Sunex: Isn't a salary advance a right?

JNS: Why do you ask?
Sunex: These people [referring to management] have rejected my application for a salary advance saying unless if it was for educational purposes. So how do they expect me to concentrate when I have problems of my own to think about? So today, I'm not in the mood to tolerate any nonsense from clients, I just want to collect the money and go back!
JNS: But will clients understand?
Sunex: Yes what should I do? This organisation is hopeless and I certainly feel disturbed and not motivated. So if I can't get money the right way how else should I solve my problems?

Figure 4.3 Sample: Unplanned interaction between researcher and credit officer

Such interactions as in Figure 4.3 meant that clients and loan officers often put the researcher into the role as mediator or sympathiser with management. Clients expected my comment on what they considered were 'unfair' practices by MFIs. Loan officers, as the above case depicts, would communicate their personal role

and struggles with clients and management, in terms of selected pressures and frustrations they experienced. They communicated as if they found a 'sympathetic' ear in me. These interactions were an opportunity to appreciate the dilemmas loan officers faced. In addition, they provided the "moving picture" aspect of data (Catteral and Maclaran, 1997).

However, as Handley et al. (2005) have noted, observation as a method of data collection has the possibility of excluding motives, reflections and broader structural contexts which are hidden from the observer. The observer may also affect the situation being observed in unknown ways. There were instances when loan officers and clients behaved in some atypical fashion when they knew they were being observed (see researcher's reflective field notes in Figure 4.4)

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We arrive at the meeting place and find a few members waiting for the loan officer. I observed that the TB was trying hard to do things differently to what they always do. I suspect the person chairing the meeting was 'warned' of my presence. I say so because members were not aware of the agenda and for them, meetings are for collecting money that's all. But the treasurer was trying to make an impression that things are not done that way. She remarked, "Lelo natukwata abeni, so takuli ati mwaletafye impiya mwaya-kwikala" meaning: "Today we have a visitor so there is nothing like just making your loan repayment and disappearing. You have to stay on." We will sort money issues later and for now we will try to conclude on last week's discussion on women empowerment.

Figure 4. 4 Researcher's Reflective Notes

Being a woman 'visitor' the loan officer could have thought of an 'ideal' topic – women 'empowerment', which he sensed was the most appropriate, given the observers' presence. Several writers (Bryman, 2001; Goetz, 2001; Fineman, 1998; Spradley, 1980) have cited observer bias as one of the limitations of this

method. However, while the researcher's presence may have elicited a "best behaviour", the bias often attenuated as the researcher developed rapport and more trusting relationships with loan officers (Simmons and Elias, 1994). For the purposes of this research, observational data was complemented with semi-structured and unstructured interviews (individual and group based) to obtain loan officers' and clients' perspectives and reflections. In addition, the risk of bias in this case was controlled by applying a triangulation method to cross-check different forms of data with each other (Denzin, 1989, Denzin and Lincoln, 2005; Mikkelsen, 2005; Patton, 1990). The chief strength on the other hand, is that it allows the researcher to get 'inside' what Brodkin (2000) calls, 'street level practice', understand its logic on its terms and see what occurs beneath the surface of policy rhetoric, and seek to explain it.

4.8.4 Questionnaires

"Do you have a questionnaire for the loan officers?" Senior managers and branch managers often asked this question upon my explaining the aim of the study. This question could reflect managers' curiosity in finding out exactly what the questionnaire was seeking from loan officers. Alternatively, it was one way of ensuring the investigator 'left them [and the loan officers] alone' to do their work, and questionnaires could be attended to later (if 'you are lucky'). The message was: "We are too busy to accommodate you".

Questionnaires were distributed in person to 43 loan officers in 6 branches for CETZAM and 7 branches for PRIDE Zambia. Out of 6 branches under CETZAM, 5 were on the Copperbelt and 1 in Lusaka. PRIDE Zambia had 3 and 4 on the Copperbelt and Lusaka respectively[62]. Questionnaires were personally delivered as opposed to posting which created excitement and anticipation among loan officers as one remarked: "This is the first time someone is devoting

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[62] Lusaka is the Capital city of Zambia and is about 400 kilometres away from the Copperbelt. PRIDE Zambia has its head office in Lusaka, while CETZAM's is in Kitwe on the Copperbelt. At the time of the study, there were plans to move its head office to Lusaka.

their research on us". This approach also initiated a relationship that helped make contacts directly with them instead of working indirectly through their managers.

The questionnaires included both closed and open-ended questions (see appendix 1). They addressed the personal background of the respondent, reasons for seeking employment, preferences of type of clients to work with, services that clients needed most, types of training received, knowledge of their organisation's activities and what they considered as most challenging about their work. A few open ended questions provided qualitative data on their perceptions of their work and clients, and their opinions of service delivery. However, even with questionnaires, loan officers needed space and 'protection' from their superiors, as one asked: "Are you discussing these questionnaires with management?" In other words, could they trust the researcher?

This was an ethical issue and there was need therefore to protect the confidentiality of loan officers by asking them to remain anonymous when filling out the questionnaire. Nevertheless some loan officers were still suspicious and wary and three did not answer the questionnaire. This might explain the blanks on questions regarding management. The trend was more evident with questionnaires from CETZAM than with Pride Zambia. Self addressed envelopes were provided for those completed.[63] Participation on the part of loan officers was voluntary and questionnaires were completed in their own time and took two weeks in all to collect. However, it was observed that questionnaires are not necessarily useful for collecting data on perceptions and expressing of opinions. Loan officers filled in closed questions with options but were more evasive with questions asking for their own opinions and feelings although the same open ended questions were freely dealt with through informal

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[63] I collected all the completed questionnaires from CETZAM loan officers (both on the Copperbelt and Lusaka). With Pride Zambia, the Lusaka branches posted them to me but I personally collected the ones on the Copperbelt. This proved expensive but it was worth it. 3 loan officers did not complete the questionnaire, while 3 were on leave at the time.

conversations. It therefore made sense to complement the questionnaire with interviews because respondents seemed more comfortable in "telling their stories" or describing the meaning they attached to their experiences (Baumeister and Stillwell, in Orbuch, 1997, p. 461). Questionnaires were not used with clients because most had literacy problems. With such a group it was possible the questionnaire would need much explanation before they could respond. In the process, as Seur (1992) observed in rural Zambia, the researcher ends up defining categories and concepts which clients may then emulate as their own.

4.9 Data Analysis

Interviews, focus groups and field notes were the main sources of data used in this study. Documents on loan policies and procedures, loan officers' roles and organisations' mission statements also influenced the analysis. All the interviews were conducted, transcribed verbatim, and analysed. After completing the transcript, the recording was listened to again and the transcript checked for accuracy.

Although some analysis took place during the field work, most analytical procedures occurred subsequently. The data analysis which occurred throughout the period of data collection (Singleton and Straits, 1999) was iterative (O'Dwyer, 2004), guided by grounded theory principles and later assisted by a software programme QSR NVIVO. Grounded theory methods allow the structure of the data to emerge from data rather than from an *a priori* set of expectations (Strauss and Corbin, 1990). By following the principles of grounded theory, the coding process was guided by some prior categories while others emerged from data (Bryman, 2001; Gibbs, 2002). In this project, word documents of transcribed interviews for individuals, focus groups, informal discussions and field notes were saved as rich text files (RTFs) and then

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imported into NVIVO where analysis was consolidated[64]. Data analysis from questionnaires was aided through the use of SPSS package.

The NVIVO software was chosen to facilitate coding of the data and development of concepts, themes and theory (Miles and Huberman, 1994; Richards, 2002). The software provided facilities for data management (Crowley, et al., 2002), and allows for open coding, axial coding (making links between codes), and hyperlinks to non-textual data such as audio-clips or photographs (Bryman, 2001; Gibbs, 2002) and also exploring of ideas visually with a modeller. The aim was to "search for patterns in data and for ideas that help explain the existence of those patterns" (Bernard, 1994, p. 360). This process involved generating categories, themes and patterns (guided by the language of the participants) in an inductive fashion where the salient categories emerged from the data (Marshall and Rossman, 1999; Patton, 1990), while at the same time comparing and contrasting themes and concepts. New themes and "competing interpretations" emerged within the overall "story" (Ahrens and Dent 1998; Silverman, 2000).

The process of reviewing coded material together and recoding was on-going and iterative. This process enables the researcher to become less immersed in the literal dimension of data and more immersed in concepts and their relationships (Strauss, 1987). In addition, the node browser within NVIVO offered the modes of reflecting on and re-viewing the results of coding (L. Richards, 2002). This software allows for text searches, ideas to be linked, data coded and searched, and models explored much more easily than with manual methods (Bringer, 2002). Analysis oscillated between coding, writing memos and modelling in order to build up theory from data (Denscombe, 2003). Memo writing in particular, enriches the analytic process, builds arguments, and puts the data

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[64] Documents for this research project were imported into NVIVO after five months of trial on the pilot study data and consultation with a Durham University NVIVO trainer, Dr Lydia Martens. However, analysis began before interviews and field notes were imported into the software. Earlier reflections were recorded manually.

back together (di Gregorio, 2003; Morrow and Smith (1995) in Creswell, 1998, p. 302). The generated memos themselves became a focus of analysis and provided a method for achieving analytic distance in empirical grounding.

The advantage gained in using NVIVO memos was that they were easily retrievable and could be related to other aspects of data. In addition, NVIVO is designed to facilitate these iterations within data coding and analysis. It was possible to move from open coding to a more focused coding of building out properties and categories, and back again to open coding as necessary, all the while writing conceptual and theoretical memos (Bringer, 2002). Since these memos were dated, they served the purpose of a written research diary that showed the different ideas at the different phases of the research[65].

To keep the iterative process live, links were created between nodes, memos and documents as the analysis developed (Bryman, 2001; Bringer, et al., 2004; di Gregorio, 2003). Furthermore, a comparison of emerging categories (represented by nodes) was made easier by organising them into hierarchical trees, while reflecting on their appropriateness to the investigation at hand (Rich and Patashnick, 2002). The tree structure as seen in Figure 4.5 is simply an organising system that enables more efficient interrogation of its databases (Crowley, et al., 2002) and can be restructured very simply to respond to the emerging conceptualisation.

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[65] During the field study, I wrote these memos manually (later used Nvivo memos in analysis stage) as my 'floating' thoughts about an interview account or the observation I made about their reactions during the interview and also my surprises or confusions. I could then revisit these preliminary thoughts on a later date and develop some understanding from them. This process often encouraged me to find out more in order to strengthen some areas of data.

```
Nodes
↟↟ Trees (215)                                          ▲
⊟ 🞉 Images of a loan officer
   ⊟ ⬥ key player
      ⊞ ⬥ implementers
      ⊞ ⬥ centre of all the activities
      ⊞ ⬥ linkage
      ⊞ ⬥ service provider
   ⊞ ⬥ qualities of loan officer
⊟ 🞉 Relationships
      ⬥ with management
      ⬥ amongst all staff
      ⬥ relations with clients
      ⬥ amongst loan officers
⊟ 🞉 Nature of the job
   ⊞ ⬥ who to hire
   ⊞ ⬥ what the work entails
   ⊟ ⬥ experiences
      ⊞ ⬥ work as described by LOs
      ⊞ ⬥ character transformation
      ⊞ ⬥ painful experience
   ⊞ ⬥ challenges
   ⊞ ⬥ Job expectations
      ⬥ Pressure of work
   ⊞ ⬥ what they ejoy most
⊟ 🞉 microfinance and type of clients
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Figure 4. 5. Node explorer illustrating the tree structure as of April 2005.

This structure evolved from free nodes into a more ordered structure of tree nodes. The approach was iterative in that data and analysis was revisited on several occasions over an extended period of time (Stoner and Holland, 2004). The approach taken to coding will vary according to the focus of the analysis. For example, a post- positivistic project would approach coding deductively by predefining categories and then organising the data segments according to these. The value of the approach here rests on its relatively more objective use of empirical data because it does not require data to fit into the preconceived standardized codes. It was from such a process that the research results were

developed. However, this does not mean that the computer was doing the analysis. The software is open-ended and may be used in many different ways. The researcher asks the questions, interprets the data, records thoughts in a journal or memo, decides what gets coded and simply uses the computer programme to maximise efficiency in these processes. As Okely (1994) and others (Kelle, 1995; O'Dwyer, 2004; Seale, 2000; Weitzman, 2003) noted, it cannot be a substitute for the analyst core role of searching for meanings behind any given data and the imagination that is a necessary ingredient of analysis. The process adopted was based on the research question guiding the use of methods and analysis tools and not the reverse. This detailed section on analysis is included here to provide an 'audit' trail and transparency to the data analysis by explaining how grounded theory was applied to the analysis and how this was facilitated by NVIVO.

4.10 Evaluating Research

As stated, a central reason for making a researcher's epistemological stance more transparent is to enable the reader to better account for the research itself. In describing different forms of inquiry, Lincoln and Guba (2000) examine researcher values as a way of differentiating between positivistic and constructivist methods of inquiry. A researcher's values will ultimately influence the choice of research question, theoretical framework, methods and even dissemination of results. Lincoln and Guba (2000, p. 169) further suggest that axiology (the study of values) is inseparable from the basic assumptions of any theoretical perspective. Whereas an objectivist epistemology requires research to exhibit internal and external validity, reliability, and objectivity, constructionism is judged for trustworthiness and authenticity. Quantitative studies are evaluated upon criteria such as reliability and validity (Ryan et al. 2002).

According to Scapens (2004), "reliability is the extent to which evidence is independent of the person using it, and validity is the extent to which the data

are in some sense a 'true' reflection of the real world" (p.268). Scapens goes further to state that, 'in case research, such notions of reliability and validity are unlikely to be appropriate'. He instead talks of *procedural reliability* - where the researcher adopts appropriate and reliable research methods and procedures. Bryman (2001) notes that in qualitative research, the aim is rarely nomothetic, most, often leans towards an idiographic understanding of individuals or specific experiences. To judge whether research findings are trustworthy and authentic, the researcher's values must be stated and ethical issues considered (Seale, 1999). In this study, the quality of data however, required sustained observation (Hall and Hall, 1996) and attention to principles of 'self-reflexivity' and 'reactivity' (Evans, 2000; Holliday, 2002; Singleton and Straits, 1999). Reflexivity, according to Holliday, refers to 'the way in which researchers come to terms with and indeed capitalize on the complexities of their presence within the research setting, in a methodical way' (2002, p. 146). This was possible through proper access procedures, use of appropriate methods and checking the data for validity.

4.11 Validating procedures

Measures were taken to ensure validity. The strategy of 'triangulation' was adopted (Bryman, 2001; Shaw, 1999; Silverman, 2005; Stake, 2000). Triangulation across data sources and data collection methods here strengthened the emerging concepts. The research used grounded theory building and deployed multiple empirical methods, through which qualitative data was generated from a variety of data sources. Emerging concepts were checked for representativeness by examining them across participants and multiple methods. Verbal expressions were linked to practice by combining interviewing with field observations. It also linked views of loan officers to perspectives of clients by interviewing both sets of actors. Additionally, data was collected from local experts, MFI senior managers and branch managers and accountants. The value

of this procedure was that it secured an in-depth understanding of the research question and ensured the meaning was discovered consistently.

The researcher, in ensuring validity, offered guarantees of anonymity and confidentiality. While organisations (with their permission) would be identified, guarantee was given that informants would not be identified by name in the thesis and future publications. This minimised the possibility of 'cover-up' (Simon, 1969, p. 104) and built trust. The data analysis process used grounded theory coding procedures with the help of Nvivo, in order to avoid pre-conceived views. For example, the concept of accountability and role conflict itself emerged as the fieldwork progressed. In addition, self-reflexivity (Holliday, 2002) allowed limited bias influence from the researcher by adopting less preconceived measures noted above and through a loosely structured approach to data collection. Therefore the detailed self-reflexive methodological overview should enable the reader to understand the decisions made, changes in thinking, and the impact on the research process and final text. As part of the validating procedure, data-preliminary themes or categories were then confirmed with local experts.

4.12 Methodological limitations

The research adopted a qualitative interpretive approach and a methodology that sought to understand microfinance process from participants' perspective through interviews, while corroborating them with what they actually did through observations. The adopted methodology allowed for close interaction with participants in generating data. A common limitation, therefore, is that it is difficult to establish whether participants are responding openly, or doing so in a socially desirable manner (Morgan, 1998). The use of focus groups for example, potentially increases the likelihood of such responses when participants may be concerned about their mutual perceptions. While this happened to some degree in the two focus groups with loan officers, there was sufficient participation and

variation in responses to indicate that it was not a serious problem. In addition, individual interviews helped minimise the problem of 'sameness' of opinion prevalent in groups.

A related limitation concerns the standpoint of the methodology used. It was based on the Grounded Theory approach of allowing themes to emerge from data (Unerman and O'Dywer, 2004) and sought to adopt the views of the participants on how microfinance works while observing the process in the field. The potential limit of this approach is that participants may lead the researcher into being a voice for their cause, rather than providing data relevant to the research question. The researcher must be aware of such issues when allowing the research question and themes to emerge from the data. Adopting views of research participants and the problem that the researcher may lose the ability to critically analyse the data by taking an empathetic stance (Bringer, 2002; Bryman, 2001), posed as a big challenge. However, continual reflection in the research journal prevented the researcher from losing ability to critically analyse data and produce an accurate interpretation of events (Strauss and Corbin, 1998).

As an exploratory study, however, it is important to remember that the participants' responses presented are not immediately generalisable to the wider population of loan officers and clients. This was an intra-country study with evidence from two microfinance institutions, focusing on the Copperbelt province, so any further generalizations of its results to the Zambian microfinance sector or beyond require considerable caution. However, the process of microfinance and the experience of problematic interactions with clients may perhaps be related to the wider population of loan officers in Zambia and other SSA countries. Therefore the study may be less relevant to areas where microfinance is already more developed, but can still offer valuable lessons for developing microfinance in other newly emerging areas.

4.13 Conclusion

In order to understand microfinance in action and explore the role of loan officers, this study argues that, rather than just take a top-down and managerial perspective, a further 'bottom-up' perspective can also offer important perspectives upon 'real world' of microfinance development. Loan officers need to be understood in terms of what they observably do as well as what else they claim. The research methodology followed an inductive and qualitative approach which recognizes that actors' interactions have potential to shape practice in ways which are not fully measurable was employed. Such an approach discloses the processes by which meanings are created, negotiated, sustained and changed. A case study scenario approach was used in order to provide answers to the exploratory type of questions of the 'how' and 'why'. This approach departs from previous evaluation and impact driven research which has focused on the outcomes of microfinance in seeking to answer the 'how much' and 'how many' type questions yet failed to fully explain how microfinance actually operates. However, because the research sought to adopt the views of the participants on how microfinance works, observe the process in the field and allow the themes to emerge from data, it had the potential limitation of losing the ability to critically analyse the data by taking an excessively empathetic stance (Bryman, 2001). The Nvivo software was used as a data management and analysis tool for emerging themes and data interrogation for evidence of patterns, while allowing continual reflection in the research journal. The next three chapters detail the results regarding microfinance in action.

Chapter Five

A Profile of Microfinance Loan Officers at Work

5.1 Introduction

This chapter is based on the understanding that loan officers are the key link between clients and MFIs (Ahmad, 2002; Chua, 1998; Goetz, 2001; Ito, 2003) and that their personal and social characteristics influence resulting actions. It asks: What is their background and how do the personal characteristics of loan officers enable or constrain their interactions with clients and delivery of service? What motivated them to join these MFIs and the effect this has had? The research results are based on face-to-face interviews with local microfinance specialists, loan officers and their superiors and the questionnaires described before.[66] The chapter begins with their educational background, initial recruitment and selection, and then considers gender and age factors and pre-work socialization. It details the 'public' and 'private' motivations for working with MFIs and shows how these have shaped their work and its problems.

5.2 Educational Background

Educational background helped form the original expectations of their job and their interactions with the poor and socially marginalized. It is often assumed that those with lesser qualifications would find it easier to relate and interact with the poor. This might be so in societies where level of education attained is synonymous with status and job expectations. From a research standpoint their background is often unknown or else unspecified. Previous findings have indicated that the work is not attractive to well-educated young men and women when compared with other government/official jobs. Most loan officers in

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[66] See Chapter 4 for detailed information on the fieldwork.

Zambian MFIs had diplomas or lesser qualification (field notes, 2004)[67]. 70% had either certificates or diplomas (figure 5.1). Out of 40 loan officers, 11 were former university graduates (with 8 at Pride Zambia and 3 at CETZAM), of whom 7 joined straight from university.

Educational background (n=40)

- Grade 12 3%
- Degree 28%
- Certficate 30%
- Diploma 39%
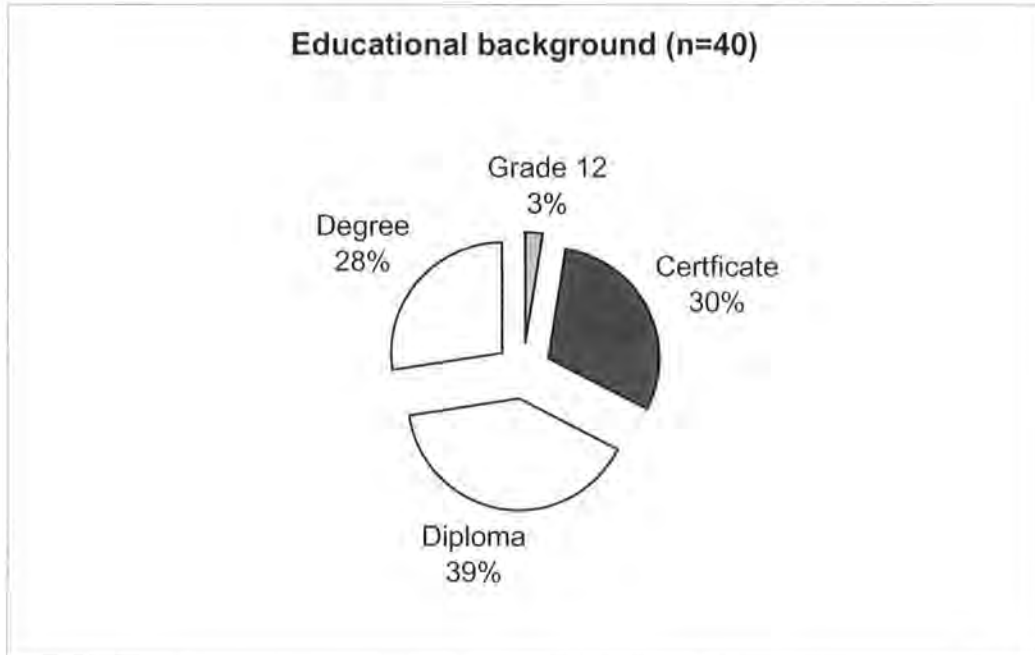
Figure 5. 1 Loan officers' Educational background

Note: Grade 12 means 12 years of schooling and no training. Certificate means 12 years of schooling plus a certificate in a short course. Diploma means 12 years of schooling plus 1 to 2 years college training, Degree means a university graduate (BA/BSc).

Source: Field Survey, 2004.

There were more certificate holders at CETZAM than PRIDE (Z). PRIDE (Z) hired university graduates as credit officers while those with diplomas were recruited as assistant credit officers, whereas CETZAM initially recruited school

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[67] Informal discussions with officials from two other MFIs –FINCA and PULSE suggested a similar pattern and that the job was unattractive to university graduates.

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leavers and diploma holders. It only recently started to recruit graduate loan officers as one senior manager observed:

> "We have a bias for those who have professed Christian faith. On top of that, we would want people with a specific qualification. Quite recently, we have been targeting university graduates but unfortunately not successfully retaining them in those positions because of the kind of work, and also the pay not being attractive enough to keep them. Normally the bulk of our loan officers are those who have 'O' levels and some additional qualification in some kind of social studies".

There were mixed reactions about prior educational attainment with most mid-level managers and senior managers claiming to be satisfied with loan officers' educational levels, even though their retention was difficult. More specifically, graduate loan officers were here judged to be 'over qualified' for this work. One senior PRIDE Zambia manager believed that performance was more important and therefore preferred diploma holders:

> "I think in Zambia, diploma holders perform better than university graduates. Diploma holders easily accept any type of a job. Graduates compare themselves to fellow graduates in other sectors and any perceived differences tend to create instability in them" (OPM-July 2004).

A local microfinance specialist added:

> "The idea of employing a university graduate as loan officer is not working out for the MFIs and so I favour those with diplomas and below. This is because the work involves stepping in the 'muddy' markets and being where the poor people are -in their 'home' environment. Therefore on paper, both MFIs now have a policy to target graduates, but the realities on the ground do not favour them, and they quickly move on to other attractive higher status jobs" (MC- Lusaka, July 2004).

Loan officers' supervisors at CETZAM (often non graduates themselves) had a similar perception of graduates 'not being suitable' thus:

"This is my opinion -apparently the more people are educated the bigger the problems you have in terms of them having to work as field officers. Because they don't want to be where the poor people actually are, they don't want to eat –aah- let me call it 'street food'. They do not want to do that because they feel they are too educated for that kind of life. I have had graduates in my branch and normally they don't perform very well. They have to be pushed and it's more of a transit job for them while they are looking for something better. The thinking is that if you are going to work in the field and with NGOs, you should get a lot of money. And with that line of thought, graduates tend to have a problem as the loan officer's job does not pay that well and involves having to use the social side you know!" (BM (3) – Nov. 2003).

The reactions were slightly different with PRIDE (Z), where more credit officers were graduates. In their case, while admitting that graduates were 'not suitable' for the work, they (supervisors) nevertheless empathized with them[68]. The inference was that degree holders did not work well enough with the poor, while loan officers with lesser qualifications mixed easier. Graduates were thus represented not to work so 'sincerely' and were less intimate with the poor and would not 'bother to walk in muddy and dusty markets' or even ride motorbikes. A former chief executive officer asserted that lower qualifications were better suited for such 'grassroots' work:

"I am for the argument of hiring school leavers, straight from school as these can be moulded into what you want them to be. For school leavers, they are excited with the work and for microfinance to succeed it must have a presence in the community. And so a University graduate is not willing to jump on the motorcycle. You see microfinance depends on the link between clients and MFI, and this means going out into the community. Fieldwork in microfinance does not favour university graduates as they find it boring but is a challenge to someone with just a college certificate".

In one focus group interview those with diplomas and less claimed that:

"University graduates do not seem to be doing well as usually they are seeking more status and therefore compare themselves with their friends elsewhere who they want to impress.

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[68] This is because most supervisors were graduates themselves.

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Most degree holders just come to use the organisation as stepping-stones for better paying office jobs. Papers are not considered most of the time. In fact those that seem to be doing fine in this job are diploma and certificate holders [not university graduates]. The job description of a loan officer can even attract a grade 12 and they tend to perform well and also enjoy riding motor bikes".

The two further issues, which emerged were that loan officers' work lacked status and the 'well educated' were 'too complicated' and 'theoretical' to the poor themselves. Why then did MFIs still recruit graduate loan officers? Why were their managements changing their recruitment strategies? Most diploma holders believed that, graduate loan officers were considered more 'professional' and 'business-like' in their interactions with clients, yet a former CEO commented:

"The problem is that these MFIs think that by employing graduates, they are solving management problems at branch level, which is wrong. You know there is a lot of analysis that goes on with graduates which is good but microfinance thrives on you being able to reach clients. May be individual loans [meant for the less poor] might be the best products for university graduates at micro level".

On the other hand certain graduate loan officers themselves indicated that they did not appreciate the realities of the job prior to taking up the positions and soon became frustrated thus:

Box 5.1 Illustrating work frustrations by graduate loan officers

> A loan officer who had been in the system for just 3 months said;
>
> "I am sick and tired of reading the loan officer's manual. You see JNS, this work is not for university graduates. I spent 5 years at university and then I must be treated this way?" Surely there must be some minimum standards to start from even if one has no experience. The job needs someone who can bring themselves low and 'fit into' the environment. It's not just anyone-because these people we deal with are slow to learn, need to repeat the same things over and over again. You need patience, understanding and be able to hold your emotions. I have a target to meet by end of June and so far I'm trying and will see-that is if I stay on.
>
> **Researcher**: But you have just started?
>
> **L/O**: "Oh no! I'm already looking elsewhere because these people (CETZAM) when we were being interviewed they told us that loan officers were key and so I thought loan officers had some status- but oh no, we are nowhere. There is no real regard for a loan officer, that is what I have seen, and they expect a lot. Initially, CETZAM just used to employ school leavers but now are trying to employ graduates. But what graduate can work like this? Besides, you don't need to be a graduate to work as loan officer. It just needs someone who can quickly assimilate and do things. Things out there are tough and rough and yet none of these senior managers have been out there. I find it depressing even though I do like working with the poor but the conditions under which we operate are not good enough. In some cases loan officers are more knowledgeable and experienced than some branch managers -so you have to humble yourself."
>
> Another graduate at PRIDE Zambia, said:
>
> "As a graduate, I would rather be in management positions making decisions rather than in the field, coming back with dusty shoes. Maybe diploma holders would be happy with this environment and they seem to be doing well. I am not content with the present job".

University graduates had therefore joined with expectations of high professional status yet, as the extracts in Box 5.1 show, they were soon 'disappointed' with the routines they encountered and their low status. This did not mean that graduates actively resented working for MFIs, rather, they disliked particular aspects of the job-which were not intellectually engaging, 'invisible' to others, and meant 'going down' to the grassroots. However they would still accept

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managerial positions with MFIs as indicated by a second graduate loan officer quoted above. Equally this did not mean that nongraduates enjoyed being loan officers more, because they also indicated that working with the poor required 'commitment' and 'passion', something that was a challenge and a source of dilemma whatever their prior education. Many would only stay because of limited alternative employment opportunities[69].

Interestingly, chief executive officers (CEOs) of both MFIs believed that degree holders should be employed for the position of loan officer, but admitted they were difficult to retain. The scenario in Zambian MFIs differs from that found in Bangladesh where, for example, microfinance NGOs soon attracted graduate field workers (loan officers). However, Ahmad (2003b) and Goetz (2001) found that despite their numbers, many would prefer government jobs and found it difficult interacting with the poor. Overall, the data on educational background suggests an evolving situation with newer loan officers being university graduates. However, 'informal' realities of the loan officers' work within the group-based methodology were thought to favour those with lesser qualifications. As a result, microfinance institutions in Zambia could experience high staff turnover and regularly rely on far less experienced loan officers.

5.3. Gender and Age

Microfinance is gendered by design and purpose (Johnson, 2004). Microfinance primarily targets women, works with women and is made sustainable where women are better re-payers. But what does it require of the gender of loan officers? The demographics of the loan officers of Zambian MFIs suggested a group that was particularly representative of clients: Most were predominantly from poor families and could identify with the deprivation being experienced by

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[69] The study found that, most were engaged in some form of further studies (majority pursuing accounting related courses) with a view to broaden their job search or be eligible to apply for vacancies in the accounting department (or others) within their respective organisations.

those they served. In addition, nearly all spoke the most popular local language (Bemba) on the Copperbelt. However, two dimensions along which loan officers were less representative were age and gender: they were on average relatively young and overwhelmingly male (68%), even though most clients were female. Branch managers reported that 78 % of credit borrowers were female, a pattern that conformed with the gendered participation in informal (rotating credit associations) types of financing (Kea, 2004; Tsai, 2002) and also microfinance as well. Figure 5.2 indicates an interesting picture with 67.5% and 32.5% being male and female loan officers respectively. Six (6) out of 25 loan officers were female, and 7 out of 27 loan officers were female at PRIDE and CETZAM respectively[70] [71]. Of the 32.5% female loan officers, 61.5% were single, which may suggest that fieldwork could also be difficult for married women thus:

"Working as a woman is challenging and I would not want to work as a loan officer when married. For instance one of the female loan officers is expecting a baby and her input is not up to scratch. She easily gets tired, goes hungry for hours and I don't think its right. This work is tiring and I don't know for how long she will have to endure this!"

A comprehensive database about the gender of loan officers was not found, but informal discussions with loan officers and clients indicated that figure 5.2 might approximate to the broader picture.

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[70] Note that 67.5 and 32.5 percentages are based on the number of loan officers that completed the questionnaires (17 and 23 for PRIDE and CETZAM respectively. However, at the time of study PRIDE Zambia had a total of 25 loan officers with 10 branches and CETZAM had 27 and 7 branches.

[71] At branch supervisory level, CETZAM had 4 women and 3 men, while PRIDE Zambia had 2 women and 8 men. On the other hand, the CEO for CETZAM was female and that for PRIDE was male.

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Loan officers by Gender (N=40)

Female
32.5%

Male
67.5%
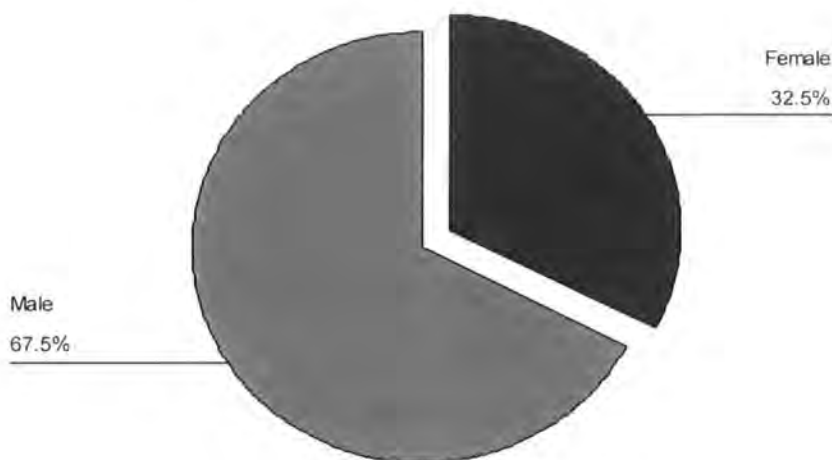
Figure 5. 2 Loan officers by Gender

A senior manager at CETZAM explained:

> "We had a deliberate employment policy to have more women than men but we seem to have retained just a few women. Clients themselves even in TBs seem to have a preference for male loan officers. But that does not explain the smaller numbers of women. We also have had more women leave than men for a number of reasons: (i) restructuring, (ii) marriage and searching for 'greener pastures'. Besides, mobility is a big problem for women who tend to use public transport, while male loan officers use motorbikes. And as you have seen in the field, it is really demanding and men tend to take risks while women might have the heart-they fail to contain the pressure from the office"

This could suggest that here microfinance fieldwork could be more problematic for females than males. The belief that women can usually work better together did not find support from the data (surprisingly). Some female clients (for different reasons) preferred male to female loan officers. When asked about their work most married males indicated that they would not allow their wives to become loan officers because of the pressure, emotional stress, physical exhaustion and 'dangers' concerned. Because microfinance was gendered

masculine, women had an additional burden of establishing legitimacy as effective loan officers. Women loan officers were therefore subject to what Blake (2006) calls, 'a kind of *gendered legitimacy*' that men do not ordinarily face.

Loan officers were also from a specific age group, partly because fieldwork was demanding and required a level of physical fitness.
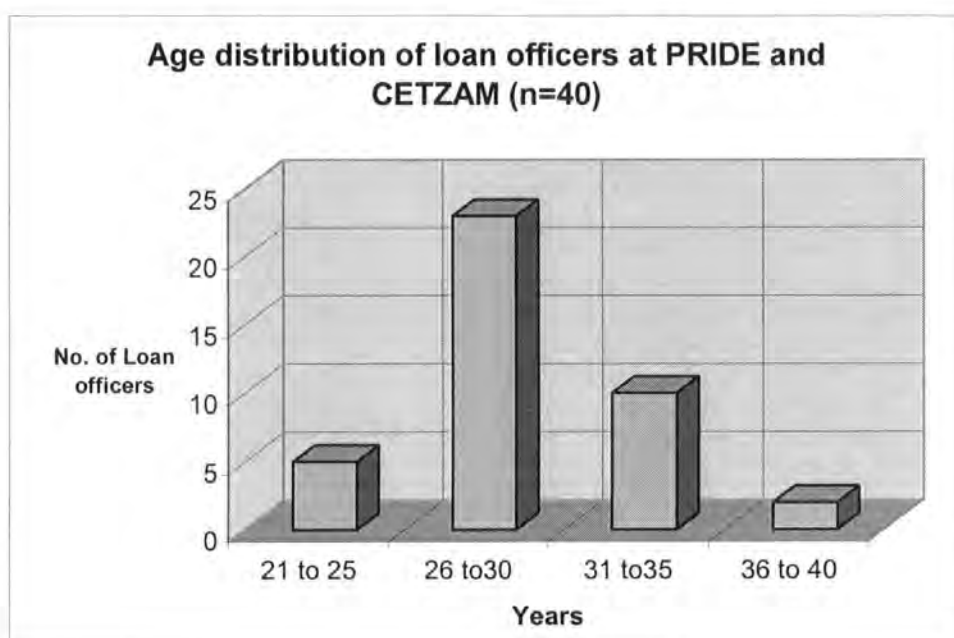
Figure 5. 3 Age Distribution of loan officers at PRIDE and CETZAM

85% were under 36 and 65% were under 31 years old. Ahmad (2002) found a similar trend in Bangladesh, where young field workers did not expect to stay in their jobs. Fieldwork requires 'commitment' (which those with families may not offer), involves rigorous physical activity, and may require better health than many over 40 can here offer. This has further consequences in those cases where clients accuse youthful loan officers of being impolite and lacking what was here popularly referred to as 'people managing' skills. A local microfinance specialist and private consultant added: 'age of loan officers matters, as in most cases

clients tend to be much older and do not take kindly to attitudes and behaviours that show lack of respect for them' (see section 6.3 for details). In another related work, Parker (2003) found that where facilitators (fieldworkers) were younger than many of farmers they worked with, difficulties arose. As a result most young loan officers here confirmed they had difficulties in managing clients' groups and sustaining relationships.

In addition, these loan officers had no or limited experience of alternative employment, and came to microfinance without prior relevant experience. Others have reported similar interpersonal issues within the SSA region, in particular South Africa, where Baumann (2004) found that loan officers joined straight from high school, or else had a few years of post-secondary education. They tended to be young, and many lacked life skills and a 'mature' work ethic or else considered their MFI jobs to be neither a career nor as particularly 'developmental'.

Loan officers here contended that their job was too demanding and stressful and female loan officers often resigned upon getting married, while older male loan officers preferred more stable and pensionable 'safe' office jobs. As a result, none had worked for more than five years at the time of study. Although CETZAM had operated for nine years, most loan officers had between three and four and half years experience (Figure 5.4).
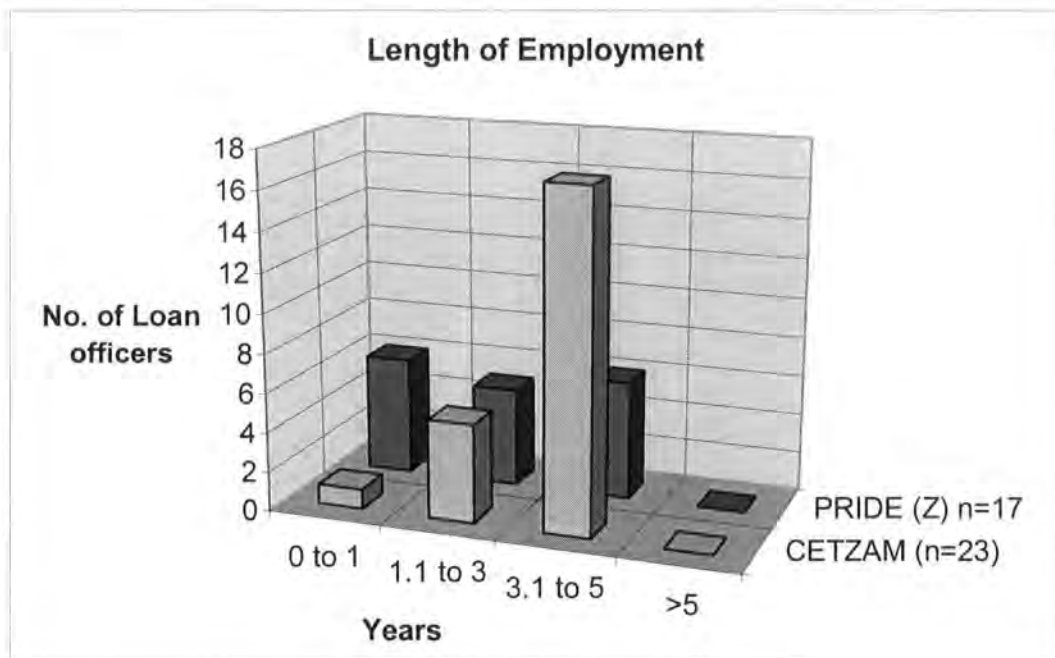
Figure 5. 4 Loan officers' length of employment

The spread for Pride (Z) was relatively even (figure 5.4), but with a higher percentage for relatively newer and youthful officers. This could have further implications if institutions and the microfinance process itself could not benefit from the 'tacit' knowledge loan officers had accumulated over time, and sharing of 'best practices' could suffer. MFIs could also face a situation where the 'learning curve' was almost minimal and client groups likewise destabilized due to turnover among loan officers.

5.4. Work Motivations

Nearly all had no previous experience in NGO developmental work. However, over half had different experience from both public and private sectors, and claimed to have left mainly due to closures, redundancy or poor salaries. Loan officers were asked why they had chosen to seek employment with microfinance institutions that primarily dealt with the poor. This question might appear tangential, but figure 5.5 discloses its relevance thus:

JNS: *How would you describe a credit officer's job?*

MP: Very frustrating (laughs briefly). It is demanding and there is little rest. It's tough as we deal with individuals who may fail to pay back, yet the organisation needs money back and not stories. So the concern is to get money and one can't even enjoy a weekend or holiday without thinking about arrears and other related issues of your job.

I think that credit officers should believe in what micro finance is there for. For instance- do we credit officers believe that Pride is there to work with the poor and alleviate poverty? Are we here to realize that mission or is it just for jobs? I ask these questions because the job itself is frustrating and one needs to have that conviction to persevere. The lack of conviction means that you don't do the job with a passion. For instance we are supposed to train clients to grow their businesses and not just paying back loans.

Figure 5. 5 Interview extract: comment on credit officer's job

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Responses here fell into three main areas (Table 5.1): because they had interest in working with the poor, put their education to use, or just needed the money.

Table 5.1 Reasons for taking up present job

Question: Why did you decide to take up this work?

Reasons	PRIDE (Z) (n=17)	CETZAM (n=23)	% of Total (n =40)
Interest in working with the poor	8(47%)	21(91%)	72.5
I like this work itself	7 (41%)	17 (73.9%)	60
Want to provide for myself	10(59%)	9(39.1%)	47.5
Want to utilize my education	9 (53%)	9 (39.1%)	45
Good salary and benefits	1 (5.8%)	11(47.8%)	30
Inspired by others	3 (17.6%)	4(17.4%)	17.5
Limited employment opportunities	4 (23.4%)	1 (4.3%)	12.5
Convenience in working near home	4 (23.5%)	0	10
Other reasons	0	3 (13%)	7.5

Source: Field survey, May – July 2004

Most of CETZAM loan officers indicated interest in working with the poor and liked the work itself. Unlike PRIDE, they were expected to empathize with the clients as if they were 'called' to serve the poor. According to one senior manager:

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"CETZAM wants people who are called to do God's work and not just people who see it as a professional obligation or a professional job. We look for people with a heart to serve the poor, willing to sacrifice and of a sober character".

By contrast, Pride (Z) loan officers generally saw theirs as 'just any other job', though a few sought to work with the poor. However, certain contradictions emerged from the additional detail provided through face-to-face interviews, and other informal conversations. For example, while responses from questionnaires (table 5.1) indicated that 60% liked the work itself, and also had interest in working with the poor, other data suggested that financial need was the most important motivation, even with those from CETZAM. A majority needed employment given high unemployment levels.

"I came to the job not out of interest but out of need. I had to make a living. I was not looking at microfinance and the poor per say" (Punto, June 2004).

Another said:

"At the time I was joining, the organisation had just established itself and there were rumours of good pay, a lot of money and so I applied. So from the beginning, I had no idea about what all this was about. All I knew was that they were giving out loans. So since I was not working, I thought it was an opportunity for me too".

University graduates were very particular with their explanations as illustrated by one frustrated loan officer:

"I did not plan to work here -but speaking from the heart, there are no jobs in Zambia! So I would rather do something to keep me going and that's why I am here. As a result, I am not really proud of it. I would rather go into the profession I trained for but circumstances can't allow. The moment I find a job that goes with my training, I will leave". (G1)

The apparent contradictions in the 'public' and 'private' motivations should be interpreted within the wider Zambian context. Certain loan officers may well

have feared that the questionnaires would be seen by their superiors and so may have given answers to please them (especially at CETZAM-see Table 5.1). In answering this question, loan officers may also have responded in terms of what they knew (from their induction) *should be* the case, rather than *what they thought was* the case. But when space was created for them they volunteered other explanations of their motivations and behaviours. Simmons and Elias (1994: 10) noted that such reference to formal prescription occurs frequently in situations where expectations and practice diverge. Empathy for the poor is not *the* main quoted reason (Ahmad, 2002, 2003a). Loan officers first come to the job out of their own desperate need. However, a minority in both said they genuinely wanted to work with the poor, took pride in it, and would recommend the work to others, albeit with caution – 'it is a job without recognition'. This kind of commitment was unusual among many loan officers and probably 'fading'' given the fears about how MFIs are changing (Fernadino, 2000; Panayiotopoulis, 2002).

That so few loan officers mentioned being directly motivated by concern with poverty or the poor should raise questions about the preparedness and willingness to engage into the social and developmental work that microfinance NGOs are expressly committed to. As noted by Goetz (2001), 'there should be no romantic illusions about the motivations of development agents'. The reasons given by loan officers for taking up this work are different from what Onyx and Maclean (1996) found in Australia. They found a preference for work that was both personally challenging and socially meaningful. In the case of Zambia, limited job opportunities have attracted candidates to apply for this work, without appreciating what was then needed. As discussed later loan officers' job calls for capabilities which many lacked. Consequently, fieldwork was not attractive (especially) to young graduates who then learn to make 'everyday adaptations'. Field workers or loan officers do not join the MFIs enthusiastically, but rather to solve their own subsistence problems and not so much to help the poor manage their own livelihoods.

5.5. Perspectives on Microfinance Work

Fieldwork was seen as a low-status job, undesirable and generally on the lowest rung of their hierarchical ladder. In terms of their organisation's structure, a loan officer was the lowest rank. All loan officers claimed that they did not obtain their due status, even likening themselves to "doormats" or "slaves". Loan officers are 'trapped' in the field. There was a sense of marginalisation among loan officers, most keenly by young university graduates who had hoped for higher status office jobs as discussions with some of them revealed:

"For single ladies like me, most of us feel we need jobs that require being in the office most of the time. It gives dignity and respect than being out there in the field".

Another added:

There is no regard for a loan officer, we feel belittled and yet they [management] expect a lot from us. We get instructions from everyone and I find this frustrating sometimes".

So why has this work attracted a low status 'tag' when salaries (figures could not be disclosed)[72] in the two MFI's may have been higher than other jobs available? Complementary factors emerged which suggested that there was an implied stigma associated with loan officer's work. First, it was associated with poor and semi-illiterate clients, whom many loan officers could find difficult to work with:

"It's very challenging working with people and seeking to transform their lives. It is not easy to deal with people of low education, they don't accept change easily. Their understanding is slow and shallow" (d2).

"Two months later into the job, I said to myself, surely I am wasting my time after spending 4 years at the university how do I end up doing this? To come and start dealing with people

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[72] Most institutions are very secretive about their salary scales and benefits and in this case the two MFIs are seen as competitors and were therefore unwilling to disclose what to them was regarded as 'sensitive' information. This applied to financial data as well. Salary estimates were in this case, revealed by two former loan officers.

who don't even understand and in certain cases can't even reason with you. When you are telling them to pay they think you are being harsh. In short, I felt degraded as a graduate but with time I have come to realise that not all people are the same and have adjusted myself to a level where I can reason with people I am dealing with and that has helped me a lot in terms of appreciating my job" (Gile –graduate loan officer- June 2004).

Clients were of diverse backgrounds and generally of limited education (this is changing as targets include non-poor). Volschenk and Biekpe (2003) and Mukama, et al., (2005) found similar trends in South Africa and Tanzania respectively, where limited education of clients was cited as one of the factors affecting growth of MFIs. On the other hand, loan officers were young and highly educated but their work demanded that they interact at the level of their clients –in other words, manage the 'social distances'.

The second factor that lowered its status was the means of physical mobility that loan officers had to use. Fieldwork generally involved much travelling covering long distances into outlying areas. This is an outdoor activity and accessing clients in their own respective localities can be a problem. Baumann (2004) noted the same problem with South African MFI loan officers who relied on generally inadequate transport and their feet. In South Asia, microfinance NGOs and other NGOs originally involved in programmes such as family planning and gender have often relied on bicycles and motorcycles. However, Goetz (2001) notes that, even in these areas, some did not approve of women fieldworkers riding bicycles and motorcycles for 'health consequences', – suggesting that women's chastity was violated by riding bikes' (2001:143).

Interestingly, Zambian women did not face the same scrutiny as their female counterparts in South Asia. Female loan officers had other reasons for not wanting to use motorbikes. Personal safety (given the bad state of roads) and social status were often considered more important than the potential motorbikes offered to reach many groups and clients in a given time. In addition, most either lacked confidence or were not trained riders. One was 'scared of falling off

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motor bikes' and besides, women would have to put on trousers (not a preferred way of dressing as elderly clients interpreted it as being disrespectful) to be comfortable[73]. However, there was an added dimension to how female loan officers viewed the use of motorbikes as illustrated by a single and married officer respectively:

"I don't like motorbikes. I don't fancy them anyway. I prefer public transport, although with a motorbike, you cover a bigger area than one on foot or public transport. But what matters is for one to be strategic in planning. Besides, it would not be comfortable for me to hold a man on a Honda and my fiancée would be very uncomfortable with that too" (F2)

"Now that I am married, my husband does not want to see me on motorbikes holding other men. I have to make sure my husband does not see me as he finds it embarrassing. But at times you are left with no choice" (F3)

Loan officers in this case, relied mainly on public transport and walked. For women (married or not), motorbikes were unsuitable and they preferred public transport (often unreliable), which concealed their identity as loan officers and also 'protected' their husband's or fiancée's status. Male loan officers (especially from PRIDE) however claimed that, motorcycles were not for urban areas but the same can confer status if used in the rural areas. Interviews illustrate this perception very well:

Researcher: Any comment on the use of motorbikes?

Suleni: When these motorbikes were bought there was no consultation from people who were going to use them. My personal opinion is that I will spend less if I go by bus than a motorbike where I have to spend K20, 000 (equivalent to $4.50) for fuel. I would rather spend K2, 000 and walk all the way.

Besides, I don't like them. They are dangerous!! I have no confidence and have no plans to ride them. You see Kitwe is a city and not rural. I am also conscious of what on lookers will say. Most loan officers are university graduates- may be school leavers are excited about it.

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[73] As researcher, I had to make adjustments to my dressing in order to fit in and be flexible enough to sit myself anywhere- on a stool or bare floor. Therefore a *chitenge* (usually material of two metre length) was acceptable and most elderly women in TBs came in their chitenge attires.

How do you expect a degree holder to ride a motorbike in a city? It does not give the status that goes with the paper qualification."

It was therefore cheaper to use public transport and walk (even if that reduced the number of clients or groups visited). However, certain loan officers would rather have had cash[74] and control its use rather than be given fuel money and then account for it. They too (like their clients) considered [that] money had multiple uses, which could include pressing personal needs –such as buying lunch or food to take home. Secondly, motorcycles were not considered safe (a concern voiced by all users as well as non-users). But interestingly, the graduate loan officer was more concerned with social status and not cost of transport:

"As an organisation, we don't have cars and for a long time we did not even have Hondas until last year 2003. But they are not peoples' favourite I must say. They are not being used by loan officers as they should.

Researcher: Why?

Zika: They are not safe and credit officers have a feeling that I will be laughed at when they see me on a motorbike. I look funny and motorbikes do not give you the status that you want others to perceive. You would rather be in a car because people will admire you rather than on a motorbike. This is contributing to avoiding motorbikes" (May, 2004).

Contrast this with the following from a male graduate field worker in Bangladesh: "…I work for an NGO, it has an office, I ride a motorcycle, and this is a much better identity than saying that I am a farmer or a small businessman" (cited in Ahmad, 2002). However, there was a marked difference in the way motorbikes were viewed in the two MFIs. Male loan officers at CETZAM appeared comfortable with motorbikes, and used them extensively. So why were CETZAM loan officers not as 'status' conscious as their male counterparts at PRIDE? The most probable explanation could be that, PRIDE (Z) had more graduates critical of motorbikes.

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[74] Both PRIDE and CETZAM gave an amount of money (about K10, 000) to those who could not use motorcycles, each time they went out and they did not have to account for it at the end of the day. But if one used a motorcycle, then they would get money for fuel and a receipt had to be submitted.

In terms of who should be hired, from the perspectives of loan officers rather than senior management, levels of education were important. Graduates may partly have considered *social status* a functional substitute for money (Coleman, 1990 cited in Baker and Jimerson, 1992: 678) but also associated education with jobs that distance them from other social classes. In a society where driving a car (not riding a motorcycle) itself symbolizes money and 'privileged' status, graduate loan officers may feel more 'stigmatized' than others – "*You would rather be in a car because people will admire you rather than on a motorbike*" *a graduate male loan officer emphasised.* It is not surprising therefore that the graduates were those who expressed most dissatisfaction yet this is the very category of loan officers MFIs presently favour.

5.6. Conclusion

The chapter has considered an important question: who are these loan officers, where do they come from and what knowledge and expectations do they bring to microfinance? It has shown that loan officers' perspectives on microfinance work were at odds with formal policy and few were positive about working with the poor. Therefore to develop an understanding of the context of loan officers' work, it was necessary to examine their education backgrounds, pre-work socialization, their recruitment and selection and actual practices. This is important because a variety of backgrounds means that fieldworkers or loan officers come to MFIs with very different and occasionally contradictory ideas about what microfinance development is and how it should be implemented. In addition, personal characteristics of loan officers could enable or constrain their interactions with clients. For example, graduates found it more difficult to interact with the poor because of the perceived 'social distance', while fieldwork was particularly problematic for female loan officers. Equally, what motivates them to join developmental MFIs has an impact on how they promote microfinance and later cope with the demands and dilemmas of their work. The discussion has shown that, none here came to microfinance enthusiastically,

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equipped with knowledge of all it entailed, nor the skills and background experience required. As a result, the unanticipated work requirements and 'informal' realities that went beyond job descriptions soon made their work less attractive.

Though most loan officers originated from non-rich families, they were not 'microfinance missionaries', and did not consider their work as particularly 'developmental'. They were more motivated by a desire to be financially independent and thus deal with their own subsistence needs rather than an overriding altruistic commitment to facilitating or 'enabling' processes of 'empowering' clients. How loan officers interacted with clients was most influenced by their educational levels and pre-socialization. These findings suggest that there is no 'standard theory' about the 'perfect' candidate for the work and neither is it easy to have transferable recruitment strategies among MFIs across societies that are culturally different. Each society must find out what works best for them, just like MFIs in Zambia. However, knowing who these loan officers are does not tell us much about how they go about interacting with clients. Therefore since microfinance is about 'participation' and enabling the poor to have access to financial services, the next chapter takes the discussion further by considering the nature of loan officer- client interactions and relationships within microfinance.

Chapter Six

Loan Officer - Client Relationships

"Microfinance is a relationship. You need to have... You remember we don't ask for collateral and even if we did, they do not have anyway. But these are our target group- the poorest of the poor, but economically active. These clients need to be oriented, they need to be cared for and loved and that's all you got. And if that is taken away, how then do they fair? This is the problem. I think that the backbone of microfinance is relationships, social relationships. You can never make microfinance professional, where you give money and expect it back just like that."

(Branch manager, CETZAM, Nov. 2003)

6.1 Introduction

Chapter Five presented the background of loan officers at work in microfinance institutions, and found that among other factors, levels of education had particular influence on how they formed their job expectations and adapted to the demands of their work. This chapter takes the discussion further and considers how loan officers, clients, and management interact and use relationships as a resource which can be manipulated to serve respective interests. The maintenance of relationships (especially at loan officer-client level) meant that the practices of 'implementation' were shaped less and less by formal procedures and more by other 'informal realities'. The main questions being addressed are: what characterises loan officer-client relationships? What is the significance of this relationship, and how did loan officers and clients actually interact? Within these interactions, the field study sought to discover each respective actor's views about relationships. This meant observing the actual interactions in the field between loan officers and clients, and attending group meetings to observe interactions amongst clients and their leaders. Interviews were used to complement observational data. This is important for three reasons. Firstly, microfinance is intensively social. The assumed social

capital and networks reveal the embeddedness of microfinance transactions: i.e. the infusion of the financial intermediation with social relations of a non-economic nature (Granovetter, 1985). Secondly, it is important to know how loan officers mediated relations between clients and the MFIs because this relationship is the crux of group-based lending microfinance. Thirdly, it is important for MFI management to know how these relationships and interactions impact upon service delivery.

The chapter firstly considers the dynamics of interactions between loan officers and the MFI's clients. It illustrates how a loan officer is embedded within group and community relations and makes choices based on constraints and opportunities presented by both the MFI and the groups that provide him/her with social and professional support. This formed the context for much of 'informal' microfinance, where the use and interpretations of relationships differed – before formality took over as loan officers related back to management in their mediatory role. At this formal level, conflicts were often disguised rather than openly expressed. It concludes that relations at different levels were shaped by specific cultural norms and practices and governed by norms of reciprocity. In addition, the nature of these relations was changing because of the changing emphasis towards 'accounting' for the institution's survival.

6.2 The Field: Client - Loan Officer Relationships

The question here is: What characterizes loan officer-client relationships? Why are they important? Relationships and interactions between clients and loan officers are analysed against the contextual framework shown in figure 6.1. The interactions as indicated were embedded within a wider context that then included MFI's performance and culture, societal norms and the broader economy. At a micro level, client –loan officer interactions were influenced by

the individual client and group's performance and personal qualities of loan officers more than the institution's espoused lending methodology and formal policy procedures.

Macro-context

Societal norms &practices   Institutional factors: MFI's mission, performance, methodology and culture   Economic &Legal framework.

Background &personal characteristics of Loan officer   Clients' orientation   Client's loan repayment status

Clients' Social status
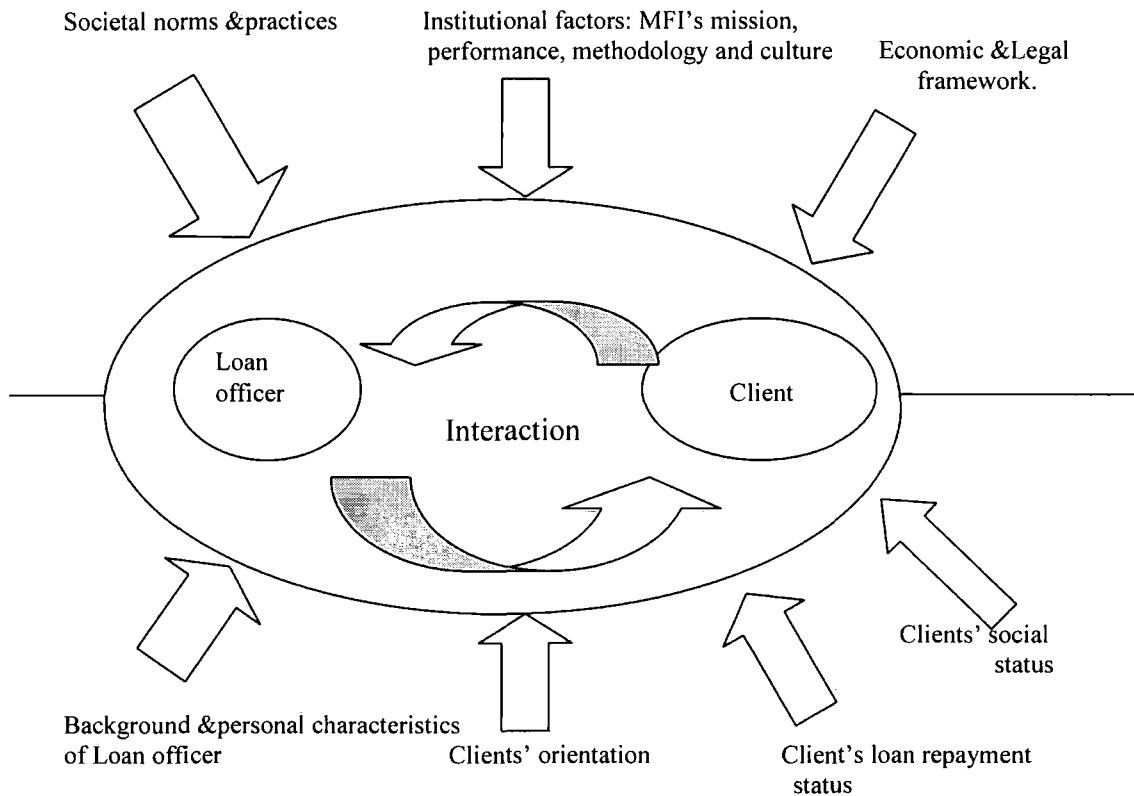
Micro-context

Figure 6. 1 Loan officer-client relationship: contextual factors

As frontline staff, loan officers are usually situated at the organisation – client interface and thus represent the organisation to the clients they are expected to build close ties with. The service transactions (loans and other services) often involve face-to-face interactions between MFIs agents (loan officers) and clients. Several studies have reported that loan officers and borrowers develop special relationships in the field (Ahmad, 2002; Ito, 2003; Ledgerwood, 1999;

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Montgomery, 1996; Rahman, 1999). These encounters could change and strongly affect client's regard for microfinance. As a result, loan officers claimed that considerable time was required to establish and maintain relationships 'downwards' with clients and group leaders whose cooperation they needed in order to perform what they thought management expected of them. The researcher was informed on many occasions that: 'A good relationship was one where there was mutual respect and trust, as well as 'being there' for clients'. Throughout field work the aim was to appreciate how clients and loan officers interacted. Loan officers, the least secure in their jobs, often worked to cultivate 'good relations' with clients. CETZAM, coming from a 'missionary' background, openly expressed its desire for loan officers to create space for social interaction. In the words of one manager:

"The Mission and vision for CETZAM supports the idea of having a 'heart for the poor'. Our relationship and interaction with clients is cardinal as we wish to make an impact and not just profit. Relationships form the basis for what we are as CETZAM".

Loan officers were like informal lenders (Yotopoulos and Floro, 1991) who usually have more detailed knowledge of their borrowers through long-term interactions, and also build 'amicable' relationships with their clients/borrowers to help with client screening while accessing 'insider' information. Informal lenders directly draw on the traditional patron-client relationships or a set of hierarchical social interactions to be able to separate out high-risk and low risk borrowers (Bastelaer, 1999) and calculate interest rates. Similarly, loan officers claimed that good social relations encouraged cooperation and repayment of debts because clients would then act out of loyalty to 'reward' the loan officer's 'kindness' rather than see it as just their obligation to repay:

"Social relationships with clients are critical for us loan officers because clients can either protect you or have you fired by their repayment habits. You have to reduce yourself to their level, interact with them, chat with them and make them feel you're part of them. That way, you will be assisted-not only in loan repayment but also on accessing information on

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problematic clients or those planning to run away. I am of the opinion that MFIs like CETZAM can't operate like a bank unless we do away with our social goals. In MFIs, you need to be where people are and you can't do away with direct contact with people. Microfinance is a lot more personal".

High repayment rates and client recruitment were tasks that loan officers claimed were enhanced by developing particular relationships with group leaders and clients. In such cases, loan officers initiated and preserved relations on the assumption that clients would reciprocate and cooperate in meeting their loan obligations. However, expected cooperation was not always guaranteed (especially from defaulters) as the conversation in Box 6.1 demonstrates:

Box 6.1. Field encounters: Loan officer and defaulting Client (CETZAM)

We arrive at the client's business premises and the loan officer greets the client and straight away the client replies:

Client: "I don't have anything to discuss with you and I mean it".

L/O: Oh is that so! Let me just hear that very reason for not wanting to talk to me.

Client: I will pay you when I have money. Right now, I'm just waiting to be paid and then I will also pay you and thereafter exit.

L/O: That is fine; it's just that I wanted also to have something to report back to the office. So when will this be?

Client: When I have money paid to me as well. Haven't I told you? (Throughout the conversation the client kept on browsing through a newspaper and avoided eye contact with the loan officer)

After leaving the place the loan officer says:

"You see how some clients respond as though they have no obligation to pay the loan. So one has to learn to manage their emotions otherwise you end up quarrelling with clients."

Many loan officers lamented that, as their MFIs placed more emphasis on institutional sustainability above clients', amicable relationships could gradually disappear. As Hulme and Mosley (1996) have noted, NGOs are not necessarily

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vehicles for social mobilisation. Their own institutional sustainability can also take priority and, as a result, those loan officers who were pressured to meet targets could not easily hide their animosity towards clients who failed to settle their loans. Discussions with defaulters were sometimes potentially acrimonious, laden with threats, and could invoke bitterness and anger as the encounter in box 6.2 clearly demonstrates.

Box 6.2. Field encounters: Loan officer and defaulting client (PRIDE)

The researcher accompanied two loan officers on a mission to make loan recoveries. We had difficulties locating physical home addresses but nevertheless managed to locate four from a long list. What follows illustrates the nature of communication and interaction with defaulters.

L/O: Where have you been all this time? You have not been paying anything towards the loan arrears?

Client (female): I had gone to Lusaka and only came back recently.

L/O: So why are you not making an effort to clear your outstanding balances? This amount has been there since last year December 2003 and now it's end of May 2004. What do you want us to do?

Client: You credit officer! I had problems in Lusaka and my husband has not been bringing any money home because of deductions from his salary. So I am trying to clear off the debts in Lusaka and then will pay your loan.

L/O: I don't want to hear those 'stories' as I am fed up with you and besides, why should I be the one to talk to your husband as if he's the one who got the loan? Why did you have to use the money for something else? This is the problem!

Client: Ala! (Implying-'are you out of your mind') So you wanted me to see my mother suffer and yet I had money with me? I will pay your money but you don't have to talk to me like that.

[At this point the credit officer got upset and raised his voice and started threatening her.]

L/O: I think you have a problem and every time we come here you seem not to appreciate our efforts. Do you think I can come here just for these 'stories'? This is what I don't like. I hate it and wouldn't want to waste time on you again. So we will just get a freezer that you pledged or get you locked up.

Client: Oh! You can't get the freezer and you can lock me up if you want because I have explained everything to you.

L/O: Did we give you money in order for you to sort out your personal problems? This is the same as stealing -you are no different from a thief!

Client: Oh so I am a thief! And you have never stolen anything? Excuse me you are now annoying me.

L/O: You will see what will happen to you

Client: Are you now cursing me?

There was no money collected and the woman was left talking and the credit officer was emotionally disturbed and also continued (now to the researcher and the new[ish] loan officer) talking, "This woman is a problem. Last time we came here with the BM, a fight almost erupted with the husband. They are both stubborn. I will just ask our bailiff to come and sort them out".

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L/O: I don't want to hear those 'stories' as I am fed up with you and besides, why should I be the one to talk to your husband as if he's the one who got the loan? Why did you have to use the money for something else? This is the problem!

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L/O: You will see what will happen to you

Client: Are you now cursing me?

There was no money collected and the woman was left talking and the credit officer was emotionally disturbed and also continued (now to the researcher and the new[ish] loan officer) talking, "This woman is a problem. Last time we came here with the BM, a fight almost erupted with the husband. They are both stubborn. I will just ask our bailiff to come and sort them out".

Such protracted interactions were quite common in both MFIs, and with further probing it emerged, that was the only way to handle 'difficult' clients and cope with the situation of 'delinquency'. Delinquency meant more debtors/defaulters to pursue, thereby requiring skill in managing emotions, since as 'debt collectors' they worked at wearing down the client's resistances to paying and at times creating fear in them. Such experiences made loan officers talk of 'character' transformation [and not client transformation as the intended goal] and that their behaviour towards clients was situational, likening themselves to chameleons. The encounter described in box 6.2 shows that such relationships were situationally constructed and could not be further generalized.

In addition, loan officers (especially the men) took advantage of the unequal power relationships, as demonstrated by the loan officer's (see Box 6.2) threatening language and tone of voice. Loan officers usually admitted to finding these encounters not only problematic but also emotive as suggested in the first extract below. In other cases, the pursuit of money borrowed made loan officers appear 'cruel' as narrated in the second extract by the loan officer from PRIDE:

"I hate it when I get to follow clients who are in arrears and then we end up exchanging words because I am pressured at office, my job is at stake and I need to collect that money. But you find that this client has got nothing worthy seizing in order to pay back the loan and then a bitter argument ensues. I feel bad. You see in the process of quarrelling, some clients lose respect and yet I am expected to respect them, but at times I also react and lose respect for them. This I don't like doing. Then I would ask God (being a Christian) - is this the kind of job that you have given me to quarrel with people, elderly people... because I have to secure my job?" (Female L/O-CETZAM)

"In the office, I might be understanding, but will not be like that in the field because one defaulter can destroy the entire MEC. Will I have met my target? I would rather deal with a defaulter ruthlessly and get them out of the program to preserve the rest of the group. So getting items from such people is actually for their own good so that they are disciplined. I don't care if I am disrespectful to a defaulter if this will save the big MEC. But it hurts me to shout or use strong words on my 'mother' who has the money but does not want to pay!

What am I supposed to do? You know- it hurts me and I don't want to do that but we are forced to do that [looks emotionally disturbed]" (Male L/O).

One branch manager in an attempt to support loan officers' use of threats on defaulters, confessed;

"My dear things are rough. These clients need to be threatened or else they won't pay. They need to see one of their friend's properties grabbed to induce fear and then you will see increased flow of payments".

Loan officers indicated that defaulters were likely to give them a 'hard time' if they were 'too nice' with them. "You have to be harsh and use threats to match a defaulters' resistance," claimed one angry loan officer. Consequently, loan officers changed their practices, language, and behaviour to accommodate the different demands made on them by supervisors, management and clients. Elyachar (2002), quoting a trainer for NGOs engaged in microlending in Egypt, says:

"In every culture there is something that works, and the thing is to find out what it is. Is it a headman, the religious leader, community pressure, or the police? Find out what it is, and use it".

In an effort to improve collection of loan arrears, loan officers in both MFIs found out what worked for them – negotiation, intentional embarrassment, threats and use of the police.[75] Interestingly, male loan officers resorted to the use of threats and intentional embarrassment (see figure 6.2) more than their female counterparts who instead claimed that negotiation worked better.[76]

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[75] Ahmad (2003) reports that fieldworkers made use of local leaders to exert pressure on clients to repay loans and that loan repayment records were usually better because clients were under obligation to abide by pressure exerted by local leaders. Urban communities in Zambia are not organised around local leaders as such and therefore loan officers relied more on the use of the police instead.

[76] Further probing suggested that female loan officers feared confronting defaulters in an aggressive way because they feared being abused by clients and most felt it to be against their expected 'nature' as women. They have been domesticated to be more soft, kind and accommodating. As such, female loan officers indicted they would normally ask for help from male loan officers to deal with 'difficult' clients.

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Credit officers' work is so demanding that one has no time to teach things like HIV and ▲
AIDS when on the other hand top management wants their money back. While talking a
client walks in to pay and the credit officer tells me, "I visited her and went there with the
police and so she got scared"

Client: "I was shouted at by my husband and so now I had to finish the loan".

The credit officer continues after the client leaves, "We use the police (because these are law
enforcing officers and take advantage of the client's ignorance) just to threaten them and also
helps to create pressure (psychological) on them to pay. But excessive use of police can
affect your client outreach because potential clients become fearful.
Still talking about his field experiences, a man walks in the office and the credit officer says,
"shani boss"? It's good to see you, as I really need to see you. The man quickly says, 'no
problem'.

JNS: Who is this one?
Credit officer: He is our officer and really helps and then adds, referring to the policeman,
"imwe mulibantu besu" meaning, 'you are our man' so I have to see you.   ▼

Figure 6. 2 Nvivo Document Browser on use of the police and 'delinquency'

One former loan officer commenting on 'delinquency', disliked 'dragging
people to the police station' or the branch office because it damaged loan
officer-client relationships. In other instances (especially at CETZAM), the
Bible became a 'double edged sword' which clients and loan officers often
manipulated to clarify each others' position and obligation as the following
extract from the conversation between a male loan officer and two women
indicates:

Loan officer: I have come to collect the overdue amounts and it has to be today.

Client (1): "Ba loan officer, mulibantu tamuli ba computer ebo teti tulande nabo" (Mr Loan officer, you are a human being and not a computer that we cannot relate or talk to). [She continues], "elyo you are a Christian organisation- meant to be forgiving and helping. If that is the case, you should delete the word 'Christian' from your organisation's name. Your conduct as an organisation is not in line with what the Bible teaches about how you ought to handle the less privileged".

Loan officer: If you are a Christian, then you should pay, as the Bible does not encourage non-repayment of debt.

Client (2): Ba loan officer tamumfwa, you seem not to appreciate your clients' circumstances and you have never assisted us. Are you not our representative?

CETZAM loan officers had learnt from their past mistakes (chapter 3, section 3.5.2) and were working on rebuilding the institution's admittedly 'dented' reputation. In the field, certain loan officers would 'plead' with clients to help recruit others and form groups, while restraining themselves from threatening defaulters. However, this 'soft' approach was likely to work against them if clients interpreted it as a sign of desperation to meet targets, as a former client illustrated:

> "Oh! In fact these people (CETZAM) have followed us and are literally pleading with us to go back to them. So we have formed a group and will soon start the orientation. The loan officer who came told us that they have stopped getting clients' property even if they have problems in paying back. The loan officer said, 'this money is there for you and even donors want the money used up'. So we are going to start afresh and see what happens."

Comparatively, loan officers from PRIDE were found to be more assertive in how they communicated and related with clients (especially defaulters). The search tool and the assay facility in Nvivo were used to determine how widespread the issue of relationships was, and if they too thought it had a significant bearing on loan repayments. It emerged that loan officers at PRIDE did not emphasise relationships as much as their counterparts at CETZAM. However their operations manager, who had worked for another MFI prior to

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joining PRIDE, spoke at length about relationships, while emphasising that relationships between management and loan officers were as important as those between clients and loan officers. Relationship problems increased when clients did not fully understand the loan officer's position. For instance, they did not appreciate why a loan officer would appear rigid over money being paid immediately. In addition, most groups were not self managing; defaulting was the norm than the exception, coupled with loan officers' paucity of skill in communication and human relations.[77]

According to one local microfinance specialist, loan officers were not trained to work with people of a different social standing, and therefore needed other skills to initiate, develop and manage relationships better. Senior managers from both MFIs believed that their loan officers were least prepared to deal with problematic relations, compounded by an 'on the job' training approach. In essence, loan officers provided their 'own' training and shared peer experiences. Various loan officers claimed they were simply 'thrown' into the field and expected to 'pick up things' as they go. Unfortunately, there was no opportunity to reflect on what they were doing. Other difficult relationships have been reported in MFIs in Bangladesh (Ahmad, 2002; Rahman, 1999) and in Kenya (Sunday Times, Sept.5, 2004), where members of the Kenya Women Finance Trust (KWFT) in Kericho District threatened to exit if the organisation failed to address the problem of alleged arrogance of its officials (loan officers). However, with good relationships, loan officers claimed they exercised personal discretion and 'got around' the institution's rules, often to the benefit of the borrowers. Admittedly, this was not being done simply as a favour to the client(s) in question, but also improved their own performance records.

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[77] There were limited incidences observed that portrayed good interaction partly because loan officers as a strategy often prioritised problematic individuals and groups since they were under pressure to achieve repayments. They paid less attention to well performing groups (in terms of loan repayment) and when they visited such groups, they took the opportunity to teach from 'relevant' verses in the bible (those at CETZAM) and at PRIDE, loan officers just waited for money to be collected.

However, some loan officers reported having few problems maintaining relationships with clients as one boasted:

"I have been on the ground for 3 years and right now I even have what I would call 'personalized clients'. I just have a clientele that is attracted to me and I don't have to push or persuade them. They are willing to work with me compared to my friends".

This illustrates the extent to which relationships can be paradoxical - attracting clients to individual agents personally (loan officers) rather than to the services offered. From the perspective of TB members, individual loan officers formed an important feature of the service. A loan officer had to first succeed in 'marketing' themselves before they could represent the services of their organisation. Loan officers therefore typically claimed, 'clients have to like you' first. When that loan officer exited however, group performance could deteriorate.

6.3 Expectations of relationships

Interestingly, clients not only expected loan officers to be honest (especially in money matters), but also give something of themselves as well (i.e. emotional labour). They expected an emotion-based bond that goes beyond the typical social distance that characterizes arm's length, transactionally oriented relations. Emotional labour for these purposes (as discussed in section 2.9) required actors to genuinely feel, induce or suppress feelings in order to sustain the outward countenance that produces the appropriate state of mind in others (Hochschild, 1983; Fineman, 2006). Loan officers performed emotional labour by either masking unpleasant emotions or at least presenting a 'calm face' to clients (where possible), for the sake of 'maintaining good relations' (especially with more elderly clients). There were common expectations concerning appropriate emotional reactions. Loan officers were in this case expected to feel empathetic and supportive. Meeting such expectations was a challenge given prevailing

cultural norms where those older [than yourself] are to be familiarly[78] addressed as 'mother', 'father', 'aunt', grandfather/mother' etc. In return, clients addressed them as "baloni officer" and the very older clients addressed them as "mwanawandi" (meaning my child). The terms 'mother' and 'my child' illustrate how valued relationships were part of the code of honour expected between the young and the old and also point to the strong moral dimension to these relations. These are common cultural expectations that loan officers had to deal with in order to win cooperation from most clients[79]. As the younger (loan officer) respects the elder (or any other younger client), the latter must, in return, take care of the former by helping them achieve high repayment rates and so secure their jobs. The conversation below between the loan officer and a client in default illustrates these expectations quite well:

Credit officer: Why haven't you been paying? Do you want me to lose my job?

Client (Woman): No my 'son' I have had serious problems.

Credit officer: If PRIDE Zambia fires me are you going to look after me? So don't call me my 'son'. If I were your 'son' you would be caring for me by repaying your loan. You are not serious and so don't transfer your problems to us. Why are you not paying? Tell me?

Client: I am suffering and I have genuine problems.

Credit officer: No, you are not suffering. It is I suffering. How can you suffer when you are the one who has 'eaten' our money? So I am going home with you to get anything from your house. Why are you doing this?

Client: I have no money and I'm just waiting to brew some local beer then I will pay.

Credit officer: eh! You mean you don't eat at home? And please don't call me 'son' because you will not keep me if I'm fired.

Client: I do apologise for calling you 'my son'. I am using it as a matter of respect and not to 'bribe' you in anyway. I have gone into beer brewing because of suffering. I am not used to it.

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[78] Loan officers however claimed that a high level of familiarity between them and clients (especially of male loan officers and female clients), was potentially detrimental to the integrity of the loan officer, and in turn, weakened group discipline in loan repayment. Therefore the line between enabling relationships and detrimental ones was very thin.

[79] Beugre and Offodile (2001) find respect for elders a common cultural expectation across SSA countries. However, they do point out that such respect implies a reciprocal relationship. In this study loan officers expected to be reciprocated through prompt repayments of loans.

Both parties were expected to feel towards each other and reinforce the bonds of indebtedness thereby fostering a relationship of mutual interdependence (Beugre and Offodile, 2001; Eisenstadt and Roniger, 1984: 15). Kea (2004) found similar relations in a Gambian community. From this standpoint, social constructionists would argue that the social and cultural contexts provide the rules and vocabularies of emotion (Fineman, 2000) by focusing on how social norms and 'feeling rules' shape work behaviour (Hochschild, 1983; Scheff, 1990, in Fineman, 2000, p 2). Loan officers were thus expected to express the wider emotion rules of their society (for example on politeness, embarrassment, kindness, pity), while also adapting to institutional expectations. The dilemma was in finding the right balance between the 'rules of society' and those of their institutions. Interestingly, use of such culturally defined titles (as in the above conversation) and relations failed to produce the expected mutual respect in times of intense pressure where loan officers felt their authority challenged (as in box 6.2), while personal familiarity also risked their jobs. As observed in the field, more often than not, there were tensions – what the institution required of loan officers could be different from societal and indeed clients' expectations.

Loan officers were also expected to reduce the social distance between themselves and their clients, while at same time being sensitive to differences between the clients represented in groups. To achieve this, loan officers and clients needed a relationship based on good communication and mutual trust. One branch manager with a previous banking experience made a striking observation in reference to clients' expectations of relationships:

> "In Microfinance, we have informal relationships as opposed to formal relationships in banking. With microfinance, these are the people we live with, and as you interact with them, it is like interacting with relatives and they look at you as a child and not a loan officer. The relationship is highly informal. If you maintain formal relationships, clients think that you are isolating them and so you have to learn to carry yourself to their level. For example, you might be forced to drink or eat what you would on your own not eat or drink, but this we do in order to maintain relationships and identify with them".

Many loan officers believed that group peer pressure was not sufficient to enforce good loan repayment because they needed to build a rapport as well. Unlike nurses (Harris, 2002), loan officers here found it difficult to develop a 'professional detachment'. This reality was well captured in a focus group discussion with loan officers as they commented on their job; *"This work requires you to relate at the level of clients, be their family and help out where possible. It is a job that exposes you to real life situations of poverty and suffering"*. Developing a trusting bond with clients meant incorporating the social world of clients - getting to know what happens in other facets of their lives. This expectation was closely linked to a "pastoral care" role, made more evident with CETZAM clients than PRIDE's. Based on these expectations, clients described a good loan officer as: humble, understanding, patient, respectful, kind, cheerful, caring, peaceable and sympathetic. A group of five women of a TB put it this way:

"A loan officer needs to have all these qualities so that when he finds that some people have not paid they should not be shouting at us. And some of us are slow to learn and so a loan officer must have the patience to teach and explain things again. They need to keep repeating certain things. A loan officer should be cheerful and understanding in order to work with clients of different backgrounds, ages and education levels He should be loving and not argumentative because some clients don't like that and at times in response to that they say; "Kanshi nafi loni fine nalafileka" ("If that is the case, I will not finish off paying the loan") So who will he work with if he has such a temperament? So he/she has to be accommodating to work properly with clients".

Loan officers needed to have, and to know how to show, 'umuchinshi' (respect). A loan officer who engaged in 'showing off' or being 'pompous' (Kuikusha), in contrast would find it difficult to maintain contact with clients[80]. However, these expectations were actively gendered in ways that made the task of female loan officers harder. As O' Reilly (2006) notes, "planners [and MFI managers] assume a natural communication [and bonding] between all women, despite

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[80] Porter (2003) found similar cultural expectations – where many Ghanaians stressed the importance in their culture of the need to be polite and to avoid confrontation.

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socioeconomic differences between female loan officers and their clients" (p.1076). Female loan officers, simply because they are female, are expected to enable relationships and local participation. In this setting, however, younger and single female loan officers in particular were reportedly 'bullied' by female clients who questioned their authority, while others accused them of being rude when they argued with elders at meetings. In such instances, cultural norms and practices (Kea, 2004) added to the complexity of relations. Female loan officers faced a dilemma and needed to make sense of this contradiction that surrounded their position. They were required to work in ways that challenged stereotypes and established norms of gender behaviour, while at the same time maintaining behaviour that would allow them to command respect within clients' groups and the community:

> "They expect me to be a friend and not boss. Actually being a friend to them helps a lot even for me to do what my organization expects of me. When you lower yourself to their level and become a friend, it becomes very easy for them to follow the policies, unlike where you keep a distance and show that you are above them - there will be some kind of inferiority complex and their performance will be affected.
>
> **Researcher**: How do you do this?
>
> **Kopeka**: I present myself as one of them and lower myself to the level of a marketeer - that lower class. I forget about what I am, forget about my husband's achievements, what kind of a husband I have, or the things he has and lifestyle I lead at home. When I am with them I act in the way they do, even eating and the language that they use just to fit in. And I don't talk about other things that I have achieved in life because I don't want them to feel I am special than them".

This extract illustrates that building relationships did not just depend on the personality of a loan officer, but other aspects of social identity (such as: gender, age, educational level, marital status, class) were important. For instance, clients generally expected female loan officers to express feminine softness, a 'pleasant' virtue that run contrary to what was often obtaining in the field. In practice, building effective relationships with clients was problematic as clients and loan officers both came to microfinance with mixed expectations. For

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instance, clients expected loan officers to empathize. On the other hand, loan officers were expected by their organisations to be 'detached' from what they saw, and also experienced in the field – to act 'professionally'.

There was however, a problem of reconciling what clients looked for in a 'good' relationship with that of loan officers. Most clients had varying conceptions about good relationships with loan officers. To some, an understanding loan officer was to them one who accepted every excuse presented. In the words of a new loan officer (four months into the job); *'I used to be very lenient and sympathetic but now I have learnt to be tough with them. I have been advised not to listen to clients' stories as most of them will only pay after much pressure and pushing has been applied on them'.* According to most clients good relations also meant being 'protected' by a loan officer, a former CETZAM client recalled:

> "Our loan officer used to encourage us and protect us a lot whenever we had payment problems. He understood our situation in the sense that at times he would even use his money to cover you up and then the client pays later. But he was very strict with the attendance of meetings and would advise us on how to ensure we manage our loan repayments".

Loan officers had difficulties accommodating client's view of good relationships in the context of pressure to meet targets and conflicting demands placed on them. For instance, one loan officer questioned how clients expected him to be patient with them in a situation where there were loan arrears and yet the security of his job depended on clients' performance. To interact with clients, a loan officer could not simply operate according to an individualistic "market logic", but had to take many social, cultural, and moral concerns into consideration. In such cases, social relationships became a 'double-edged sword' and thus situational, working for the loan officer in so far as it helped the loan officer access 'insider' information and motivate clients to pay back their loans

on time. But at other times these relations worked against both the loan officers and clients as each took selective advantage of the other.

6.4 Intra-group interactions

The literature suggests that an awareness of the tensions which exist in groups is all too often overlooked in microfinance (Marr, 2002). Emerging evidence from Cajamarca, Peru, suggests that solidarity groups are open to abuse by group leaders (Wright, 2006) and in the case of Zambia, by loan officers of the lending institutions as well. Both CETZAM and PRIDE Zambia primarily use a group lending approach[81]. Relationships within TBs and MECs were expected to be more horizontal, where all members knew each other quite well and possibly lived or traded within view of one another. Interactions and relationships amongst members were therefore best observed in their weekly group meetings.

Within these horizontal relations, group members were expected to share the same value orientations and power status, but these relations could be prone to envy and conflicts.[82] These groups were not homogeneous social entities but were also divided along class, power, age and gender lines. For instance, the traditional social structure in Africa makes women submissive to men (Takyi-Asiedu, (1993). Within groups the interplay of power and control in hierarchical relations (such as between leaders and the rest of the members) and role of traditional norms (respect for elders) weakened group management. This problem was compounded by the fact that TBs and MECs operated in urban townships where traditional community and kinships ties or even basic knowledge about other members were weak or did not exist[83]. Raising (1999),

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[81] Individual lending is gaining momentum and at the time of study, CETZAM had just introduced it on the Copperbelt after Lusaka. PRIDE has also introduced salary guaranteed loans which basically operate on an individual basis. This study focused on the group based, and therefore only attended TB and MEC meetings.

[82] Copestake, et al., (2001) in their study: 'Assessing the impact of microcredit: Zambia' made the same observation and attributed it to lack of trust and weak urban community ties.

[83] Chamlee-Emily Wright (2005) found that group-lending offered a poor cultural fit with the target population of urban Zimbabwe.

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studying Zambian kitchen parties, noted that family and kinship ties were waning partly because actors in towns (urban areas) came from diverse backgrounds and ethnic groups. As such, social bonds depended more on the neighbourhood, membership of churches, or indeed business trading relations. Group relations and networks were therefore often weak and characterised by potential antagonism and mistrust. A former client asserted:

> "At PRIDE, we also experienced disturbances in MECs in cases where some MEC leaders would bring their relatives into MEC without the knowledge of other MEC members. So these relatives would form an EG and pretend to have businesses and yet the money being accessed would be for the MEC leader who brought them. This meant getting loans on behalf of the leader (aggregating smaller amounts) but of course this would then affect the weekly loan repayments, delay other members' loans, forfeiting of loan insurance fund and a number of clients would simply leave because the MEC leader could not be challenged".

Discussions with several clients from different TBs and MECs suggested that inter-client relationships had deteriorated due to increased levels of defaulting. This factor has been established in other places such as Bangladesh, Bolivia, Philippines and Uganda (Sebstad and Cohen, 2000). Being unable to repay on time or at all could strain or break relationships with other credit group members and in some cases defaulting on a loan may cause loss of face, self-confidence and self-esteem (Hulme and Mosley, 1996; Zeller et al, 1997; Rahman 1999). In addition to increased defaulting, clients claimed that some group leaders were dishonest and assumed too much power:

> "I [the group leader] just slave for you [referring to the rest of the members] and I don't get paid for this. If *I* want, *I* can't give you a loan and loan officers won't do anything. If *I* refuse, it means just that and you have to take it that way" (MEC chairman).

In areas or situations where social capital is low or deteriorating (Bastelaer and Leathers, 2006; Weinberger and Jutting, 2001), as was the case here, cooperative

arrangements were unlikely to develop. The question however remains: why did the groups display such mistrust and tension?

Data revealed accountability was an underlining factor in groups' tensions. Group lending goes hand in hand with group accountability and members together with their leaders needed to account (both financial and social), to and for each other. In addition to weak accountability, several group members claimed they had little mutual knowledge, and often had not met before, as illustrated by two members during a tense meeting:

First client: "I have lost my loan insurance fund (LIF) for the sake of others in this MEC and for people I don't even know. I don't mind paying for those in my EG because I know them and so can recover the money. But why should they use my money for someone I don't know? So this means that I will not qualify for the next loan because my LIF is now not adequate. I have even stopped paying the weekly K6, 000 and I am thinking of withdrawing soon after completing the current loan".

Second client: "For me, I have never even met the people in my EG. They just found this group for me. I had no say in it. These people (PRIDE) are stealing from us and we can't be losing money just like that".

Working with unfamiliar people could polarize relationships further. In some cases these groups were actually formed by loan officers, who were under pressure to increase client volume and meet their targets[84]. This led to group instability and ultimately disintegration of TBs or MECs and minimized the 'social multiplier' (Mosley, et al. 2004) effects of group working. Group members did not feel significantly obliged to each other. Post and Inkoom (2004) reported similar findings with Ghanaian community based organisations. In Burkina Faso, work by Kevane (1996) found cases of ill-formed groups, several of which had been established by program officials, and included

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[84] Bastelaer and Leathers (2006) studying the performance of farmer groups in Southern Zambia, found that group formation in rural Zambia was often the result of promotion by NGOs, which then raised questions of social capital being the basis of group formation.

members who had never met each other. Researcher's interactions with clients indicated that relationships within groups were unpredictable and could not be relied upon for client screening and applying of peer pressure because members did not want to be responsible for the failures of others. Loan officers, on the other, claimed that such collaborations (although problematic in urban areas) continued to be very important in the rural settings where people were more genuinely close. The urban poor, being more mobile, do not always know their neighbours well enough and are not tight-knit as those in rural Bangladesh (Economist, 3rd Nov, 2005). There was less social cohesion within TBs located in the urban environment than in the rural outlying areas due to greater socio-cultural heterogeneity and individualism.[85] Kristiansen (2004) found that native African ethnic groups in Tanzania lacked cohesion and a shared identity, while Hyden (2001) found a serious crisis of confidence in the values of collective action and a preference to act on their own. Confirming to this phenomenon, a senior manager at CETZAM (with experience of microfinance in South Asia) claimed:

> "The people we are dealing with are generally individualistic, and not keen to promote self-help activities. And so the social bonds amongst themselves are not strong and yet this is the main ingredient to the methodology of group lending".

The findings here run contrary to what Wright (2000) and others (i.e. Edgcomb, et, al., 1996; Lont and Hospes, 2004; Woolcock, 1998) have observed where, 'borrowing group members in the developing world have strong, embedded ties and know one another prior to group membership, thereby creating a higher level of trust'.

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[85] To verify this observation further, the researcher attended two TBs meetings in two outlying areas in Kalulushi and observed that leaders had updated information about every member and their whereabouts. In both cases, members said their 'villages' were so small they knew each other well and were willing to help each other. There was a members' connection to place.

As noted earlier, this argument is based on the concept of social capital [86] [87] which assumes that relations of trust exist (to lubricate cooperation), as well as reciprocity (acknowledging mutual obligations). In this case the social capital concept was not socially grounded and people came together with the principal aim of drawing economic benefits. Ito (2003) makes similar observations with borrowers' groups of the Grameen bank. On the positive side however, some groups were better organised and members said that they had learnt from the business experience of others and received help with problems. However, many believed that relationships between loan officers and clients and amongst clients were particularly governed by norms of reciprocity, dependent on whom you knew, and how you could benefit from them.

6.5 Relations Within: Loan officers and their Superiors/Management

"If you treat a loan officer badly, you get the results that you deserve. You get high delinquency; you get fraud and clients without transformation and the organisation sinks. But if you place a loan officer where he/she deserves to be and appreciate him, you get the results that you want to see".

(Manager, CETZAM, Dec. 2003)

"You see, work in microfinance also depends on work relations amongst staff. It is important to know that unity of purpose is fundamental. You can never succeed in microfinance if you don't have people (staff) on your side. You can't. Relationship with clients is important but you also need a strong relationship between field staff and management. Those in management have to initiate that and keep working on it."

(Manager, PRIDE, June 2004)

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[86] Social capital as a concept has been variously defined and applied. The World Bank defines it as 'the norms and social relations embedded in the social structures of societies that enable people to coordinate action to achieve desired goals' (World Bank, 2000:1). See Bebbington et al. (2004) for social capital debates at the World Bank and Coleman's (1988, 1998); Woolcock, (1998) and Rankin (2006) for detailed work.

[87] In the literature, a useful distinction is made between communal (bonding) and collaborative (bridging) social capital. In this case we are interested in the former type that refers to the level of community (group) integration and accountability of group leaders towards their members and amongst members. See Woolcock (1998) for details.

The contextual framework for existing relationships between loan officers and management was different from that obtaining for client – loan officer interaction (section 6.1). Whereas clients looked for familiarity, informality and loan officer's personality, management-loan officer relationships touched upon power and performance targets (quantitative rather than qualitative). As such, loan officers claimed, communication was mainly one way, from top to bottom. Consequently, relationships were formal, based on the expected upward accountabilities (see figure 6.3).
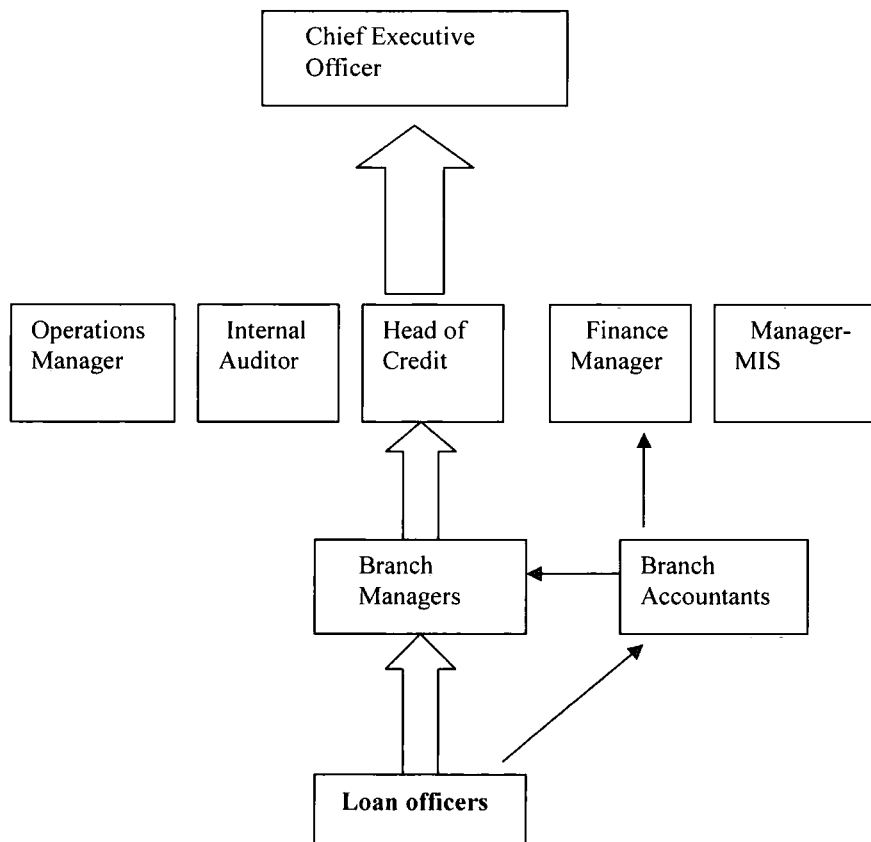
Figure 6.3 CETZAM's Hierarchical Structure

Senior and mid-level managers claimed they ideally preferred innovative, honest and hard working loan officers because loan officers in the field were 'difficult' to supervise. Under the structure in figure 6.3, direct supervision by branch managers of dispersed loan officers becomes problematic given the difficulties of communication (when out in the field) and transport. Informal discussions with loan officers and questionnaire data however, suggested management rarely created 'free' space for loan officers to review, reflect on and learn from their practice on a regular basis.[88]

Loan officers claimed that relationships were first, dependent on meeting the performance targets set, and second on the background and personality of their superiors. Familiarity with loan officers' work on the part of direct supervisors and relevant senior managers enhanced close trusting working relationships. In addition, 'performance targets' defined the nature of relationships as one loan officer indicated:

"Top managers don't care about what a loan officer is or not doing in the field. All they want is money to be paid back. One is in good books with them as long as there are no loan arrears".

The support that loan officers could expect from their own hierarchy was ill-defined, a practice that contradicted the principles which loan officers themselves were asked to apply towards their clients. This was not a surprise given Zambia's small MFI sector, where there are few experienced MFI managers, and many managers learn by doing (just like their loan officers) rather than bringing proven microfinance skills with them[89]. Overall, relationships were limited in both organisations because of difficult communication and

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[88] Most loan officers did acknowledge that the study had provided a safe space to review, reflect on and be open about their practice and understanding of microfinance. These sentiments came after much time was invested into building some trusting relationships with the researcher (Field notes, July, 2004).

[89] This point is based on the interview with CETZAM former Chief Executive Officer (May 28, 2004) and Operations manager-PRIDE (June 14, 2004) and supported by other studies in SSA (Mukama et al., 2005 and Bauman, 2004).

mistrust. There were challenges from each side. For example, superiors could accuse loan officers of dishonesty, and therefore maintained close surveillance over them. Loan officers claimed top management constantly threatened them with dismissal, denied them the opportunity to speak, and failed to show respect, sympathy or emotional support for their work. In particular, loan officers (especially at CETZAM) claimed that having their work checked constantly through daily reports indicated a lack of trust. However, certain loan officers claimed that, they were themselves to blame for the breakdown in trust as the extract illustrates.

"But on the other hand, this trusting bit is really a two-way system, as sometimes, this mistrust and lack of respect might be caused by loan officers themselves. As you are aware by now, a loan officer can manipulate a lot of things-including financial records. But for those who are committed, working hard and honest, I think they need to be respected, trusted and motivated".

The hierarchical organisational structures at both CETZAM and PRIDE did not seem to support mutually trusting relationships between loan officers and top management. Power, fear and 'blame culture' added to the complexity of relations. A former CEO perceptively put the point across:

"In a large organisation, how do you ensure that relationships are continued even when you have expanded? So what is happening in MFIs as they expand is that layers of management are added in between. So they end up with a tall structure, which is a very big mistake if you are going to do microfinance. And once the middle management hinders that link between the client and the institution then you have lost it".

Loan officers at CETZAM in particular narrated incidences of difficult relationships with their immediate superiors and management, which came as a surprise to the researcher who held other expectations before the study, given CETZAM's strong foundation on Christian principles. The core constructs that were expected to inspire both loan officers and management approach to this relationship were: empathy and motivation and accountability. But further

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probing revealed that the institution had just been through a 'crisis' that threatened its very survival due to fraud, or at least allegations of fraud and loan 'delinquency'. As such management claimed loan officers were less transparent in what they did and could not be trusted with clients' money. Reported incidences of dishonesty (figure 6.4) within staff (especially loan officers) had made it difficult to have trusting relations in institutions giving out group loans on the basis of trust.
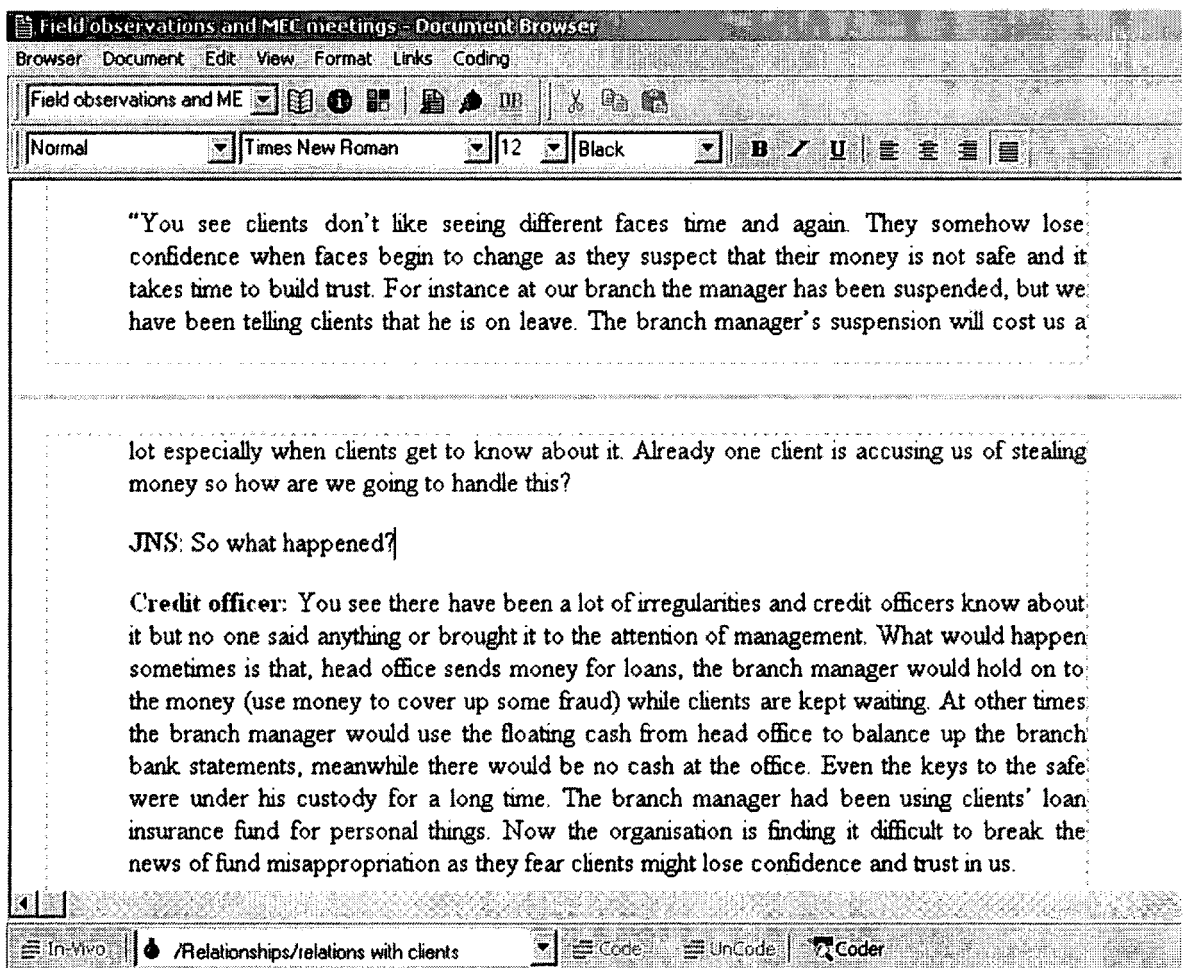
Figure 6. 4 A case of fraud at branch level

Stemming from such cases as in figure 6.4, the nature of relationships amongst branch staff and between branch and head office significantly changed, leading

to increased demand for upward accountability. Both MFIs reported several cases of fraud, clearly manifesting a gap between expected and actual behaviour (Ackroyd and Thompson, 1999), which some superiors were arguably too eager to discipline and control loan officers.

Relationship dynamics at branch level between loan officers and their immediate supervisors, though hierarchical, displayed more closeness (horizontal). Loan officers and other branch officers had to work together to meet the targets set for their branches and remain sustainable. Most loan officers claimed that branch managers who shared similar experiences before they became managers were more sympathetic than those coming from 'outside' microfinance[90]. A former loan officer and now branch manager put it this way:

> "You know, microfinance is a sensitive business. The moment L/Os are frustrated you have a problem because it's going to affect their work whether you like it or not. They can easily start off from here and go home! So I motivate them by constantly talking to them. Just telling them the truth and being part of them and trying to be with them and feel for them. Let them not carry these problems on their heads alone - I try to share it with them".

In some branches, loan officers and their immediate supervisors felt isolated and claimed they were always 'under pressure' from top management to fulfil their targets. Some superiors were too concerned with the performance indicators of the institution and when the branch failed, they were threatened with warning letters. They claimed relationships were such that senior managers were not willing to listen to their explanations –which were treated as "mere stories". This kind of superior was obviously unpopular among the loan officers and other branch staff as the conversation below illustrates:

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[90] There were divergent views however. To some, what mattered was the personality of the supervisor and the loan officers' performance and not the supervisor's familiarity with their work or previous work experience.

BM: So how is your work going on? (Asking the researcher)

Researcher: Quite well and I'm enjoying myself- but it's very tiring.

BM: My dear, you are probably one of the few that have taken time to go in the field and learn from them. The people at the top don't seem to care. In fact one of them is now a 'public enemy'. All they are interested in are figures and don't care how those figures are arrived at. Our relationship is target dependent. For instance I have a target of 1000 clients for the branch by June. And in all probability this is not achievable. All the loan officers as of now have an average of about 180 clients (as against 350) and I have written letters to all those affected. I had to do it because that is what management expects of me. But the loan officers do not seem to care and have simply said, "What management wants to do- let them do it. If they want to fire us let them fire us".

Loan officers also claimed they were constrained in what they could say by their position in the organisation's hierarchy and that at most times superiors undermined their tacit knowledge[91], while that of consultants taken as 'expert' knowledge, a practice they found frustrating and alienating.

"We feel sidelined even with the knowledge that we have about microfinance in Zambia. But management is quick to take on board suggestions from external consultants and yet what these consultants do is take our ideas and make them appear as their own ideas and management buys that! Also top management is fond of 'hijacking' our ideas and making themselves look like heroes!! So why don't they listen to us? (FGD- Loan officers).

Mosse (2005) reported similar relations on a British aid project in rural India where he worked as the projects' expatriate 'expert'. Granted that consultants are able to bring specialised skills into diverse situations, they do so only for a limited time and within defined (contractual) obligations. Consultants may even divide the local staff and perhaps complicate relations between management and field staff depending on the extent to which their intervention acknowledges valued local knowledge. In this case, CETZAM loan officers claimed to be suspicious of both management and consultants. This mistrust pervaded relations and created a divide that left loan officers and management pulling microfinance work in different directions, which ultimately affected policy implementation. In

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[91] The knowledge loan officers gain through work.

the words of a long serving loan officer, "it is working relationships more than poor salaries that currently needing attention." There was need to build trusting relations as the basis of microfinance. What was lacking here was the capacity of both MFIs to instil high levels of trust and mutual support among their loan officers, which, in turn, impacted on their ability to successfully draw on the diverse social elements of their environment in developing successful client groups and programs. Negative tensions and emotions were common and exposed the problems felt by loan officers under pressure to perform.[92] Different expectations strained relationships as management pushed for results, and on the other, clients were still grounded in the NGO – 'charity' background, leaving loan officers in a dilemma.

6.6 Locating relationships

The social construction of microfinance can be understood from the perspectives of economic sociology that argues for the embeddedness of economic processes (Granovetter, 1985, 1994; Uzzi and Lancaster, 2003). Microfinance is anchored in a framework of interpersonal relationships and depends on a whole range of interactional features like trust, reliability and reciprocity (Preda, 2002). Most theorists highlight norms such as trust and reciprocity as permissive cultural factors and trace them back to personal and social networks (Tsai, 2002). In this perspective, relationships can be a positive resource that both parties may reap gains from (Lehmann and Neuberger, 2001), as the relationships enable loan officers to limit the possibility of inappropriate members joining groups and, in particular, of delinquency and defaults. On the other, stable relationships give clients greater confidence in the groups as well as in loan officers. Consistent with the embeddedness framework, both clients and loan officers claimed that the embedding of financial transactions in social attachments created mutual expectations of trust and ongoing reciprocity. These expectations enabled loan

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[92] This was evident in morning meetings (of loan officers and supervisor) and in informal conversations with researcher.

officers and clients to offer each other 'favours' or transfer idiosyncratic and restricted information with the conviction that it was to their mutual benefit.

6.6.1 Reciprocity

Reciprocity is a key element in many theories of relationship development (Altman and Taylor, 1973 quoted in Lois, 2001, p. 134) and social exchange theory (Coleman, 1990). For example, researchers have shown that reciprocity increases feelings of commitment to the group (Lawler and Yoon (1993, 1996) in Anthony, 2005, p.497). Arlie Hochschild refers to an "economy of gratitude" wherein actors keep favours received and extended against what is "expected" (1989, p.18) and Candace Clark uses a banking analogy "sympathy accounts" (1987). While Gouldner (1960) cited in Anthony (2005, p. 511) notes that, reciprocal relationships demonstrate both the trustworthiness and trustfulness of actors and entails mutual obligations that require conditional action to maintain connections over time. Other scholars focus on how social relationships among group members influence cooperative behaviour where actors embedded in social relationships, for example, are more likely to trust one another and to cooperate (Granovetter, 1985; Uzzi, 1996). As such reciprocity provides group members with a powerful mechanism for encouraging compliance and enforcing sanctions on non compliant members and is also an important factor in group formation[93]. Borrowing groups were expected to demonstrate cooperation and compliance in ensuring their continuity and repayment of loans. In addition group loans were unsecured and therefore collateralized social relations were used instead to assure economic relations and help reduce risk (Biggart and Castanias, 2001). Evidence to the contrary showed distrust and divisions within groups that made most of them unmanageable with limited signs of the assumed social collateral (Mosley et al. 2004; Woolcock, 1998, 2001) as the basis of group formation and interaction.

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[93] Some clients indicated that they feel obliged to help others because as a community, you have to take care of each other as you may also need help from them at one point. This contradicted MFIs' policy regarding eligibility.

6.6.2 Trust

The success of group – based lending depends largely on the assumption that those who participate in them can be trusted, and is thus based on social relations, and less on trust in institutions (Smets and Bahre, 2004). As Putman (1993: 171) argued: 'trust lubricates cooperation'. Fisher (2002) notes, 'Credit' after all means 'trust', and for Prahalad (2005: 20), 'Trust is a Prerequisite.' Without trust, no financial intermediation would take place. As with taxiing (Gambetta and Hamill, 2005), trust within solidarity groups comes about through an expectation that those being trusted will cooperate (Lyon, 2000) and are of a 'good sort'. The extensive use of groups and social intermediation in microfinance recognises this. Drawing a parallel from relationship banking, several studies suggest that trust, among other factors, play a key role in the development of relationships (Berger and Udell, 1995; Lehmann and Neuberger, 2001), which primarily emanate from positive experience in the past. However, significantly low levels of trust were noted at all levels of interaction and in particular, at client - loan officer interface. Certain MFIs are facing a collapse in trust. The loan officer and client lacked trust in each other. Mistrust was attributed to the incidences of negative experience in the past and growing suspicion that MFIs were just there to make money for themselves.

Clients claimed that loan officers were not sympathetic and could not be trusted, while loan officers contended that most clients were in the habit of withholding information and at times colluded with others in 'shielding' defaulters. The research however, established that even loan officers were in the habit of withholding information from clients for their own advantage and that of MFIs as illustrated by a loan officer in a conversation with the researcher.

> **Researcher**: Would you comment on your clients' claim that PRIDE Zambia is no different from moneylenders?
>
> **Loan officer**: Oh yes – it is about interest rates charged on their loans.
>
> **Researcher**: What about them?

Loan officer: They are very high, and what we normally do is not to give them full information on the total amount they will pay in interest. Figures are 'sugar coated'!

Researcher: Why?

Loan officer: Well, if we did that then many would not borrow. So we simply give them weekly interest charges and frankly most of them do not know the cost of these loans!

Consequently, relationships as it emerged were problematic (Biggart and Castanias, 2001). This is because social trust which is an important lubricant of a social system was less prevalent in these interactions and actors could not have a fair degree of reliance on other each other's word. In fact Zambia itself has a legacy of distrust (Musona, 2004) that is partly historical and continues to manifest itself in many social institutions. However, these findings suggest that loan officers should focus on building trust among and between themselves and clients as a critical element of program success is the existence of trust between borrowers and lenders (in this case lender is represented by loan officers). In their work environment, where attitudes toward the program have been slow to change, this task can be challenging.

6.7 Conclusion

This chapter has examined the microfinance process within a group lending methodology as a set of relationships at the level of client-loan officer and the organisation (loan officer- management), and how relationships were shaped less by formal policy than loan officers' own background and personality as matched with client expectations. Both loan officers and clients set their own values about relationships based on what 'worked' for them and their past experiences. On the other hand, expectations within these relationships were shaped by the institution's founding mission and societal values, which were then linked to their social relationships. Loan officers often found themselves placed in a tenuous position of being like clients but not like clients. Intra-group relations of members and those with loan officers were fluid in nature, constantly negotiated,

renegotiated, and manipulated by both clients and loan officers. The discussion has shown that realities of relationships were diverse and complex.

While the obligation to repay the loan is in theory strictly a business decision, in practice this decision was influenced by the existing social relationships (between loan officers and clients) and loan officers' personality. Relationships between MFIs and clients were therefore not simple commercial transactions; rather, they were grounded in more complex social norms and practices. However, a dearth of mutual trust between clients, loan officers, and management produced deteriorating relationships. Thus the evidence has demonstrated that many of the assumptions about relationships were not borne out by the actualities of the 'field'. The nature of relationships limited the participation of the poor and development of microfinance at the grassroots. What therefore characterises loan officer-client relationships and how they interact should be situated within the particularities of the community and organisation. The next chapter presents an 'insider' view of loan officers' work at the interface with clients in order to illustrate microfinance from their perspectives. Here multiple factors contributed to how loan officers experienced their work and further re-constructed their role in the field in order to meet different demands.

Chapter Seven

Microfinance in Action

"Commercial banking and microfinance are not the same because in microfinance one needs to be very close to clients and interact directly with them. You can't direct things from the office; one has to be where clients are. So there is a link that is critical and that link is what loan officers are supposed to be. For microfinance to succeed it must have a presence in the community."

(Former CEO, June 2004)

"Microfinance institutions make a presence in the community through credit officers (unlike commercial banks) who are important to the success of their programmes. As such, there must be a level of acceptability of the job on the part of credit officers who need to know that serving most of microfinance clients means they have to be willing to 'step in the mud.'"

(Senior manager, PRIDE, May 2004)

"But we could make it a little easier if we had support. For instance, transport money is inadequate for us to see all clients and so we do more of the walking (whatever the weather conditions) than get on the buses. Our shoes are worn out! There are no vehicles. We do have motorbikes but they have limitations. Instead of going out in the blazing Sun, I would rather just sit in an office and let clients bring the money. This is my dream- to just swing in the chair and do my work in a 'civilised' environment".

(Loan officer, July, 2004)

7.1 Introduction

This chapter examines the central role of loan officers in mediating transactions between MFIs and clients. It reveals that a loan officer job has several dimensions and presents an understanding of the 'multiple realities' of such work. It pursues answers to the two questions: What is the role of loan officers? What do we know about the nature of their work and how does that impact on the development of microfinance? Chapter Two detailed the importance of loan

officers to microfinance in references to them as the "heart of microfinance" (Chua, 1998). They do not make 'strategy', but do make numerous individual decisions of real significance to their clients in particular (i.e. the survival of the institution may not rest upon these decisions but their clients' lives may do so). Loan officers are also referred to as the microfinance institutions' 'warriors' and it is their own informal narratives which inform this chapter. As individuals, the loan officers in this study illustrate aspects of the social process of microfinance, as it is indeed a social process (see chapter 6); while at the same time demonstrating the dilemmas of 'doing' microfinance within the local context (chapter 3), and the overall socio-cultural expectations (see chapter 8). The objective here is to examine (a) the role of loan officers as they themselves understand it and their clients, (b) the detailed content and practice of loan officers' work by assessing their own observed activities and reported challenges.

The chapter starts with a presentation of the intended role of loan officers and contrasts it with their actual role as understood by loan officers themselves and their clients. Their role was contextual, experiential and socially constructed. This is then followed by a consideration of how loan officers constructed their nature of work and the tensions that characterised their work. The third section considers the challenges faced by loan officers in their delivery of service and the coping strategies employed in the context of competing demands and conflicting expectations. The chapter ends with a summary of the nature of work which in effect depicts microfinance in action.

7.2 The Loan Officer's Role

Loan officers' role here was not clear cut. It was important to use a different lens to come to some understanding of their actual role because what MFIs present as the role of loan officers in group-lending methodology, may differ from what they themselves consider their role to be, which itself could differ from what

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clients judge their actual role to be. Therefore, a triangulation of different views proved useful. An overview of their role is presented first, followed by loan officers' own 'perspective' and then the clients'.

7.2.1 Overview

According to the espoused lending methodology, loan officers were expected to mobilise or recruit clients and facilitate the formation of new groups, and then offer training and/or 'orientation' before disbursing loans. They were also expected to monitor how loans were utilized to ensure that borrowed money was suitably invested. Loan officers interact most with groups and their leaders in weekly meetings and business visits. Group leaders are responsible for managing groups and also ensure that their members do not default. Loan officers serve as facilitators and mediators and are expected to work through group leaders to ensure money lent out is repaid on time. CETZAM loan officers in particular, were therefore formally expected to 'develop', 'empower' and 'transform' their clients'.[94]

Using Mintzberg's (1980) classification, loan officers pursued interpersonal, information and decision roles. Under interpersonal roles, they acted as liaisons who maintained horizontal relations with peers and the wider community and at another level, relations with clients and management. In performing this role they were to be seen as: facilitators, mediators and at times, advisors as well. In the informational role, the loan officer also received and collected information that could help them understand their clients. Similar to bank lending officers engaged in 'relationship lending' (Berger and Udell, 2001; Lehmann and Neuberger, 2001; Uzzi and Lancaster, 2003) and also Personal Business Advisors with their clients (Sear and Moran, 1999; Mole, 1999, 2002), these loan officers who work directly with clients, had the most access to 'soft'

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[94] CETZAM states that loan officers have a transformational role. By this they expect loan officers to empower clients in three dimensions: economically, spiritually and socially. Most loan officers could not explain fully how these take place in a client within the service delivery. They reported 'not having time' for spiritual and social transformation.

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information about clients based on their extensive interactions with them. Within this role loan officers transmitted information 'down' to clients and 'up' to higher management (see Figure 7.1).

"A loan officer is a person who acts as a bridge between the organisation and clients. He/she is in constant touch with clients and should know what's happening in client groups' and pass on information to the branch manager and then senior management. So a loan officer is a key person" (Branch manager).
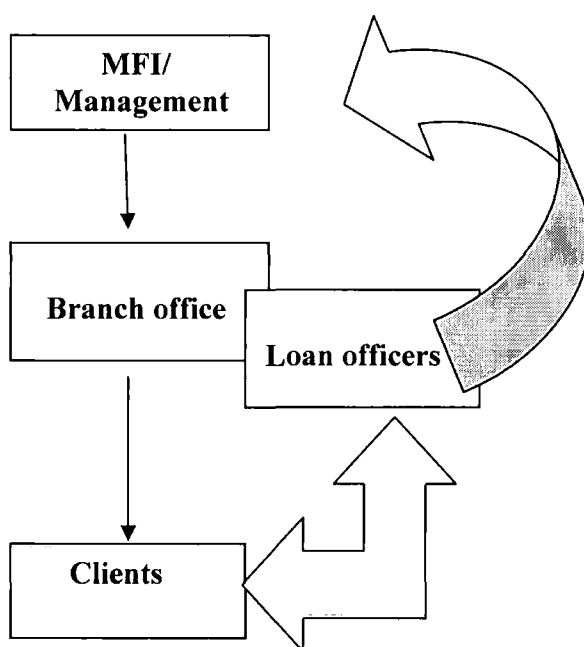
Figure 7. 1 The Position of Loan Officers

It was not just the range of interfaces to be maintained which was important however: some were clearly more important than others. So in the decisional role, they frequently acted as if to solve disputes and conflicts among clients and sometimes selected group leaders themselves rather than wait for them to be 'elected'. A loan officer in effect was what Long (2001) called a 'multiple interface manager' or 'relationship managers' (Uzzi and Lancaster, 2003) who linked clients to the branch office; clients to the MFI (figure 7.1) and as seen in

the field, they at times were the human 'glue' that made group members 'stick' together.

> "For us there in the field, we are almost everything when we meet clients. When you are there, you have to behave like a fieldworker and at the same time representing the accountant, the CEO and branch manager. And all these things are acted out by you. This is what makes it different. For clients, it is the loan officer that really matters".

As acknowledged in the microfinance literature, loan officers were indeed the 'linking-pins' (Likert, 1967) in the microfinance process as well as the potential vanguards of social transformation (Prahalad, 2005). But as a group, loan officers felt marginalised by the organisation structure, as they were neither part of management nor the grassroots. Yet both groups expected representation from them.

7.2.2 Loan Officers' Own Perspective

This section deliberately commences with a lengthy own "voice" of a long serving loan officer that is illustrative of what loan officers understood microfinance to be about, their role and related dilemmas and challenges.

"MR LOAN OFFICER MAN."

"When you come across such titles like the one above, the picture that gets introduced to the mind is that may be this is the person in the accounts department who works on the loans, or may be is the master of micro-finance or may be he is the one who dishes out money and he is never broke, who ever wants money goes to him because with him money is not a problem. One or just a few could be correct depending on what the reader of this article wants to believe a loan officer is.

Many microfinance institutions would define the above based on the core of that organization. Others call them credit officers, project officers, field officers. Microfinance institutions use different approaches but the personality of most micro finance institutions is almost the same. Common feature is just to take money from somewhere, devise an interest on that money and give it out so that the person getting it brings it back with interest on top after a specified time period.

Now talking about Mr. Loan officer man [sic], he is a man of the people, public figure, and a people manager. He specializes in handling characters of different people. He is an

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indispensable asset (and can be a liability) to micro-finance institutions. To assume a blind eye to this man is shutting a door to the source of micro lending success. This man will use the skill to assess people from all works of life concerning business capacity and ability to pay the loan. The loan decision lies with this man and that is why if a loan turns bad, he is the one the organization holds responsible.

Finally, a loan officer is not from an accounting background, he is not from a marketing background. He is a social scientist, he is not an office bound person, but a man of the community, being where the grassroots are, the people who are the target of a particular organization. He feels with the people of the community he is serving and that is why he should work hard to ensure people are not burdened with the loans. Neither is he supposed to under loan them. There are countless ways I can talk about this man, but this will suffice".

Pipo from Branch No. 4 - CETZAM

This description was typical of many other loan officers' perceptions though to varying degrees as reflected in the other extracts below. Some loan officers readily described themselves as the link between clients and the organisation and also regarded themselves as mediators. Others, however, claimed that their role was more immediately situational because they found themselves being 'many things' at the same time:

JNS: What do you see as your role?

Suleni: "Role depends on situations. What is on paper is what the people experienced and developed from where the methodology came from in East Africa. But our environment does not fit neatly in this methodology. Attitudes differ and so the roles of credit officers in these regions differ from the roles of credit officers (COs) in Zambia. A CO is supposed to recruit clients, train them and facilitate a cohesive group for clients to work properly. There after they administer the loans and then start collecting until work is done. But in this country, a CO goes beyond that. In more instances than not a CO has to take an extra job by actually recovering the money as well".

Others simply said they did not have any clear understanding of their intended role as indicated thus:

"It's difficult for me to answer the question accurately because even me I don't understand who a credit officer is, and what they are supposed to be doing. In short, we don't understand ourselves. We are just groomed to meet the targets of the organisation [Others laugh]. We are not involved in the planning or shaping of microfinance" (FGD).

Still others said they were 'everything' to their clients and found themselves playing multiple, potentially conflicting roles, should client groups become dysfunctional. In practice, loan officers were experiencing growing tensions amid increasingly inconsistent work and personal demands:

"In many ways, our job has changed a lot over the years, it's no longer the case of just loan business – 'you are everything'. You are the person with many hats. You know you're a social worker; you're a counsellor, and even a manager! I think we tend to be dealing with lots of things than management realises" (CETZAM L/O).

Another claimed:

"We go beyond what is stated on paper because our job descriptions are not adhered to. There's quite an overlap and sometimes we end up doing an accountant's work. We even do banking!! We don't stick to what is on paper, as nothing will be done. We are forced to do that because a credit officer has to be answerable" (PRIDE L/O).

Consequently, these loan officers felt that they had potentially 'boundless' roles that did not always match with what was envisaged in the lending methodology. Their roles were also in a state of flux, changing in response to the unfolding of events (section 3.5.2) - hence their use of the term-'chameleon' in reference to their role. Their roles are much broader than what is depicted in literature. In this study, they were found to be 'everything'. In effect they were the 'general practitioners' of microfinance. In addition, a number also noted that having to work to visible financial targets, especially 'unrealistic' performance related targets, had made their role more ambiguous.

7.2.3 The Clients' Own Perspective

Clients' understanding of a loan officer's role was first based on their actual interactions and relationships with them. As a result, the role was considered to be that of processing loans as priority, then collecting payments, mediating,

followed by training, and managing group conflicts. Many clients however inferred that; "We see them to be more of 'debt' or 'money' collectors than anything else at this time". From their standpoint, some 'role displacement' had already taken place. Given that CETZAM began as a Christian based NGO, clients had also expected loan officers to have a 'pastoral' role as well (see chapter 3, section 3.5). In addition CETZAM clients did not consider that their loan officers had a transformational role as had been stated in interviews with branch managers and higher management:

> "The role of L/O is one in which CETZAM has wanted to describe as the transformational role. We provide loan officers' services to a client so that we can see change in the client through the loan officer. The L/O carries with him/her the financial services which CETZAM provides to the client, the vision of the organisation and also his/her personality. These three aspects need to be blended together so as to see change, which is measurable" (Manager-Operations).

Clients at PRIDE held a similar 'debt collector' view: "Loan officers just ensure money is collected by MEC leaders, and occasionally visit our businesses". In practice there was little agreement about what was expected of loan officers. As it emerged in interviews and discussions, their actual roles were defined more by what they then did – 'debt' or 'money' collectors and not as would-be development 'enablers' described in work manuals and other descriptions. The dilemma of loan officers-lay in the fact that they were both a 'toe' and a 'heel' each performing a different function (Hochschild, 1983, p.137): one delivers a service, the other collects payment for it. Performing under pressure of targets, loan officers found themselves acting the 'bad guy role'.

7. 3 Loan Officers' Work

The loan officers' work has previously been characterised as pressured and intense with limited job security (Ahmad, 2002; Goetz, 2001; Montgomery, 1996), and with a particular sense of dissatisfaction. The findings here do

support these views but further add that actual fieldwork was here characterised by rising tensions, conflicts, emotions and other social dilemmas as well. The nature of [field] work as constructed by both CETZAM and PRIDE loan officers drew heavily on their own daily experiences and surrounding local context. This reflected microfinance in action:

"This work requires you to go down to the level of clients and is a job that exposes you to real life situations of poverty and suffering".

"You have to be where people are and identify with them'. It requires one to be on foot most of the time and walk long distances".

Still others said:

"It is a result oriented job, tough, involving a great deal of social skills and also about people and conflict management. We are required to balance clients' expectations and those of management".

Such views implied that their work was not so much about what administration they did 'in' the office, but how they handled clients, managed the tensions and balanced the competing demands 'out' in the field. Thus they found it to be a particularly tense job. In two separate group discussions their work was described thus:

"This kind of work is about results, targets have to be achieved. It's hard work, full of sacrifice and about people management. It takes your energy, mind and emotions to perform. There is a lot of psychology involved in this work and a great deal of social skills is required too. In addition, it is about conflict management and balancing expectations of clients and those of management. As such it is usually a job full of pressure and threats and can be depressing if clients are not performing well". (FGD – PRIDE)

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"It is a very challenging, result oriented and not the kind of a routine work. You become like a policeman or woman-trying to arrest someone and so you end up chasing a defaulter like a 'wanted' person. A loan officer in this case becomes like a chameleon, changing to suit environments or situations. It is the kind of a job that even disturbs your dreams as the mind is never at rest. The worst part of the job is dealing with defaulters. If you have a group that is giving you problems, a loan officer is never at peace. Our work is therefore unpredictable and challenging. One has to be determined, and requires a lot of maturity on our part, as we tend to deal with own character, the manager's and that of clients as well". (FGD – CETZAM)

The expressed feelings and views about their work had to be interpreted in a way that would capture microfinance in action from the perspectives of loan officers and their clients. Figure 7.2 therefore illustrates the context within which loan officers' nature of work was framed.
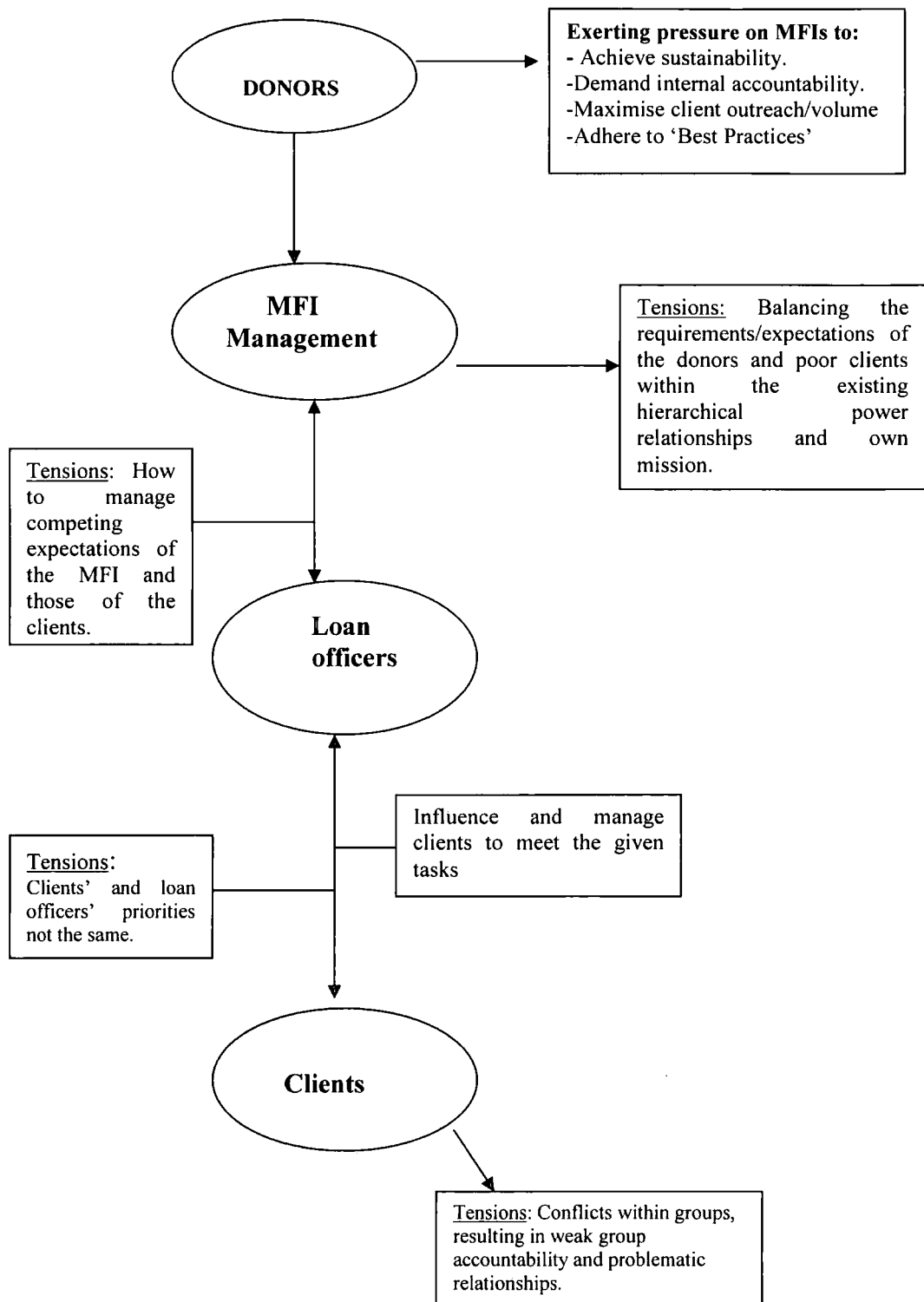
Figure 7. 2 Framing the tensions and contradictions within microfinance
(The absence of arrows signifies the nonlinear nature of the process)

Potential for tension and conflict existed because loan officers 'participated' in two 'worlds', each with different practices and expectations. Tensions within the clients' 'world' were further accentuated by the inability to enforce joint liability and social sanctions in group based lending methodologies (Ito, 2003; Jain, 1996; MkNelly and Kevane, 2002; Matin, 2000; Vogeldesang, 2003). They claimed that, their client 'nurturing' roles, which called for the use of more time and social skills than other tasks assigned by their MFIs, were becoming more problematic. At field level this led to particular frustrations, since management looked for quick results. There were also tensions regarding the benign relationship of personal 'patronage', in which the loan officer can be recognised as empathetic and 'understanding' by clients, and new demands for making the institution more sustainable:

> "Clients expect me to be lenient as they expect you not to ask them to pay or push them. Others expect that a loan officer should not give them problems when they fail to pay back or indeed pay on time-they want to pay at their own time" (CETZAM L/O).

Therefore there was the pressure towards personal patronage within groups, and against it from their institution's perspective, and this posed problems at the client-loan officer interface which often went unrecognised by management and supervision. Interestingly, male loan officers' accounts on the nature of work typically ended with reference regarding women's limited suitability for the job:

> "Ladies find the work demanding and easily get frustrated and disappear. Turnover is higher for women because the job is hard. You need to invest a lot of your time (which is hard for a woman who is married and with children) to meet some of the work demands".

Another officer commented:

> "The women I have seen in our institution are the 'ruthless' ones and those who have made it are usually the tough ones. Soft ones have either resigned or been fired, as meeting targets is an issue in microfinance. A female loan officer has to be a 'man' to do the job".

This judgment was not only limited to loan officers themselves but also shared among those who directly supervised them, associated with them and other former loan officers as well (see Box 7.1).

Box 7.1 Illustrating varied perceptions of loan officers' work

"Working as loan officer for 2 years was a 'zero' option kind of arrangement. There was no peace and I used to be stressed up all the time. **Why?** It is a strenuous job. Every morning, you wake up, you would be imagining where to go, what to do to impress your branch manager. There is a lot of worrying and it calls for a strong heart and capacity to absorb pressure and frustration. There is no peace for a loan officer and you can't be happy at all"

(Former loan officer, June, 2004)

Researcher: Would you like to work as a loan officer?

Soni: [Laughs heartily] Oh no! To be honest with you, I would not. With the current framework of products, loan officers face great challenges out there. What has worked elsewhere may not necessarily work here. Besides, as a nation, we don't have a good borrowing culture and that is what makes it tough for loan officers. Microfinance makes it so difficult for one to have a life free of its demands and cares. At times their work becomes stressful as they have to deal with clients that are in genuine desperate conditions or situations. For instance, going to pursue a client nursing a dying spouse or child! It's a terrible experience!!

(Branch manager, July, 2004)

We return from the field and arrive at the office.

Masiku: "Thank God, I am not a loan officer!"

Researcher: Why?

Masiku: It's hectic and rough especially for a woman.

(Branch manager, 2003)

It is clear from these extracts, and also those of loan officers themselves, that active fieldwork was problematic and, as a result, loan officers could be critical of it. It follows that service delivery was not going to rise to the further challenge of development or of institutional sustainability until some of these

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problems were resolved. The question thus arises: What accounted for such critical perceptions and responses? The following factors dominated the explanations offered: 'heavy' workload, client groups' dynamics, loan 'delinquency' or recoveries and the 'new' business orientation. All these and many others impacted on how loan officers regarded their work.

Loan officer work is akin to middle management characterised by intense work and pressure by virtue of their intermediate position within any hierarchical organisational structure (Dopson, 1992). Similarly, a common source of pressure for loan officers here occurred in their attempts to reconcile client demands with those from their higher management. 'Pressure of work' was a common 'thread' running through many discussions involving loan officers in both MFIs. The sections that follow explain the outlined factors in detail and show how they made loan officers critical about their work and microfinance in general.

7.3.1 Workload

Although loan officers here described their workload as 'heavy', none had the recommended client load at the time of this study.[95] With more pressure towards meeting targets, loan officers were reportedly working longer hours including weekends. The most commonly cited reasons for working these extra hours were 'to get paper work completed', 'reduce portfolio in arrears' and maintain their jobs. As a result some loan officers said their work was becoming increasingly overwhelming and demanding.

"Currently, jobs on credit officers are piling up. A credit officer (CO) is doing everything to an extent that a CO has no free weekend! They expect us to do everything. For instance, we

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[95] Recommended client load per loan officer for CETZAM was 375 and 500 for PRIDE. On average a loan officer at CETZAM had about 200 clients and only a handful of TBs had 20 or more members (see table 3.2, chapter 3). The situation at PRIDE was similar. All active MECs in the three branches on the Copperbelt had less than 50 members –the recommended MEC size. The client load per loan officer is comparable to South African MFIs but much lower than the average for the region (see Baumann, 2004:9).

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have to do the banking of money, compile loan insurance fund, do the filing, visit clients etc"
(FGD-PRIDE).

"There is so much contained in a loan officer's job and also the issue of delinquency makes our work really difficult and a long nightmare. So it would be better to reduce the work content. For instance, a loan officer does the job of everyone and everything. And if management is not on top of things, a loan officer might even do the work of an accountant just as to ensure loans are processed on time" (FGD-CETZAM).

Other research (Ahmad, 2002; Goetz, 2001; Churhill, 1999; Rahman, 1999) elsewhere has suggested that loan officers often find their workload demanding. However the situation here was exacerbated because within client groups, there were few with ready-made skills (and willing) to help manage the solidarity groups. As such most client groups were not self-managing, and therefore needed loan officers' continuing attention.

7.3.2 Client Groups' Dynamics

Observations of client-loan officer interactions and weekly meetings gave additional insights into the alleged loan officer's actual workload. Attendance was considered poor at most meetings except in the run up to new loan disbursement[96]. In theory, TBs and MECs were supposed to be self- managing, emphasising self-discipline and reducing dependency on loan officers to enforce explicit rules of attendance, while also keeping accounts and records (Anthony, 2005; Hermes et al 2005; Morduch, 1999). This requirement deviated from what was actually practiced. In the group-based methodology, loan officers and clients were supposed to be co-managers of groups. Yet leaders and members did not want to take up all the demanding responsibilities of running the groups, as the following quotes suggest:

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[96] The researcher observed that not all group members were present at any one meeting attended. At one Trust Bank meeting, surprisingly, loans were approved even for those who were not in attendance! In all meetings at PRIDE, clients arrived at different times, made their payments, chattered briefly to each and others left soon after making payments.

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"It is not our job to follow defaulters and collect money. We are all poor-so how they expect me to ask another poor person why they have not paid?" "They [loan officers] are paid for it-so they should do it", and *"there is too much work for leaders for nothing", "I do not own this group".* This attitude pervaded most of the TBs and MECs visited as discussions with some clients indicate:

"The rule says that you should know each other very well and visit each other to see the kind of business that each one has. But most of the time, like in our group when it was time to visit each other, everybody was saying, "who has time and money to go round checking what each one of us is doing in different locations? Ok, let's just do this, we'll tell them (loan officer) we visited each other", when we actually never did. That's why we had problems as some did not actually have businesses" (Client B).

Another client claimed:

"As for the group meetings, most people only come when loans are about to be disbursed, otherwise they just send money to service their loans through friends and children. You only see them when they want another loan and yet we still go ahead and agree to their loan application even when someone has not been attending meetings".

Researcher: How come?

Client: "Well, usually people say, "If you don't give him/her a loan what will they feed on?" or they say, "takuli ukuchinga umunobe kwati nimpiya shobe!" (Do not block others from getting a loan –after all it's not your money!) But even loan officers are lenient since they are supposed to tell these people about the importance of attending meetings. So they overlook this rule and as long as the previous loan was paid, then they have no problems with that".

Yet another client likewise claimed:

"Why should I come for meetings every week? Loan officers are only interested in money being paid back and not my presence! So it's OK to send money with someone and continue with your business at the market. You don't lose anything".

These extracts serve to make an important point: the ways in which groups were formed – their rationale and composition – had implications for the ways in

which they later functioned. But they also illustrate clients' and loan officers' ingenuity in adapting the lending methodology design and challenging the assumptions to meet their own circumstances. Both sides preferably 'negotiated' more neutral positions: 'as long as weekly payments were done, they could overlook other 'peripheral' issues'. As a result, clients did not take group rules seriously, so attendance at meetings became optional rather than obligatory. In addition, borrowers did not see these groups as 'owned' by them, but as 'institutions' created for the benefit of MFIs which were to be managed by loan officers. This made some groups more dysfunctional, having rising repayment problems, which needed further loan officer intervention. Most clients claimed they did not have the time to attend the meetings and appeared to have a rather non-committal approach (just like their loan officers) to group meetings, regarding them simply as the time and place for making repayments and not as a venue for sharing knowledge. Similar views were reported in Bolivian MFIs, where clients also found meetings difficult, taking time they would sooner devote to their businesses (Economist, Nov, 3rd 2005), while Paxton (1999) and Solomon (2003) found similar views in Burkina Faso and Ghana respectively. Under pressure to meet specified targets and account for their group's performance, loan officers were therefore adopting 'duties' which were originally meant to be conducted by clients themselves (such as client screening, group record keeping and reconciliation, collection of money) and thus taking personal ownership over these activities, in effect like group leaders. One particular TB meeting attended illustrated the contradiction in practice:

"The TB members were on this day considering loan applications and deciding on individual amounts to be approved. In principle, this process is supposed to be managed by the group leader, with the loan officer as facilitator. But the loan officer intervened and took control over the chair and said, *"I only reduce loan amounts, and not increase the figures. So don't complain if you find a smaller amount than what you have applied for"*. On the other hand, each time members debated on an individual's amount to be

approved, the TB chairman would refer the final decision to the loan officer, saying; *"Katwishi mwebene ifyo mwalabapela. Chili kuli imwe"* (*I do not know how much you want to give them. It is up to you*). But the loan officer (probably conscious of the researcher) also kept on 'correcting' the Chairman; *"It's not me, but the group deciding"*. Yet he had earlier on warned them of his powers to overrule their decisions" (field notes, 2004).

This was difficult for any group lending methodology explicitly intended to foster self-management among borrower groups. The responsibility for managing the group and recovering the loan for example had practically been shifted to loan officers from clients themselves. Loan officers claimed to become so involved (because they ultimately recommend loans – i.e. they are 'guarantors'), while realizing that such involvement could weaken group cohesion. An excerpt of an interview illustrates the point:

Researcher: What keeps client groups intact?

L/O: A good management team and a sense of ownership by the group where members feel they are in charge of their own affairs. There should be less involvement of the loan officer in the problems of the group. Let them resolve their own problems before you come in. In addition, a loan officer should not be seen to be discriminating against some and favouring others.

In contrast to the above standpoint, in one case, a loan officer spent more than two hours (instead of one) trying to make sense of the group's record keeping and then account for money collected, while clients themselves continued disputing each others' individual 'accounts'. The frustrated loan officer concerned countered that:

"If your Trust Bank is in problems and confusion, it means that I also get affected because I start doing what you should be doing on your own. This affects my work, as I cannot meet all the groups planned for the day. I am doing this because the office will want a report from me [not the clients] about your performance".

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Musona (2004) studying the causes of delinquency in Zambian MFIs, here argued that the group methodology was not sufficiently understood by either clients or MFIs. Instead of clients taking a major role in the management of the group activities and delinquency, loan officers took over instead. Copestake (2002) also reported that client groups were unable to enforce appropriate internal discipline without the direct involvement and authority of the loan officer. Loan officers instead became informally 'co-opted' as group leaders and more accountable hierarchically for their groups' activities, and other workloads increased as a result.

7.3.3 Loan 'Delinquency'/Recoveries

Although SSA microfinance institutions are reported to be among the most productive globally, as measured by the number of borrowers and savers per loan officer, they are, nevertheless, the lowest in efficiency terms (cost per borrower) (Lafourcade et al., 2005: 1) and have the lowest repayment rates (Microbanking Bulletin, 2003). Therefore, problems were most apparent in the loan 'delinquency' activity, where loan officers 'acted' as 'debt' collectors. Previous studies have concentrated on capturing how clients maintain the high repayment rates deemed to be the 'ultimate' indicators of programme success (see Rahman, 1999). Loan officers' experiences have not been central to the process, especially in such actively *failing* MFIs as these, and where basic principles of group lending are problematic. Evidence here suggests that where MFIs face the challenges of low outreach, high default rates and the pressure to be self-sustaining, loan officers can find developmental work so difficult that they simply focus on collecting money and keeping their own jobs instead:

"My experience so far is that, it is not an easy job especially when clients have not paid. Sometimes clients have genuine reasons but they still have to pay by whatever means it takes. There is a lot of pressure from arrears and as a credit officer you tend to lose your head thinking of how you will recover the money". (Female L/O)

"I may not come for the focus group discussion this Saturday because of loan recoveries that have to be done. What are we going to input into that computer? For instance, yesterday people didn't pay and had to follow them up. I worked late and reached home about 22 hours and this morning I had to go out first before reporting to the office. The PAR has to be reduced". (Male L/O)

Consequently, loan officers' experiences with recoveries or 'delinquency' were negative as reflected in participants' own words (illustrated by such metaphors as *'battlefield'*, *'hell'*, or *'psychological battle'* and *'nightmare'*) each time they talked about their close field experiences with 'delinquency' management.[97] To induce more positive responses from defaulting clients, loan officers had to be 'forceful' and 'firm' in addition to the other 'acting' which made such close demands on them personally. In fact 'debt' collecting not only increased their workload but was so emotionally intense that some claimed it to be a reason for leaving:

"Going through peoples' homes during delinquency made me see things differently-being able to experience genuine problems out there that were emotionally moving. These clients make you feel as if you are troubling them. Their interpretation of microcredit is different from the institutions' and it was left to us loan officers to handle the conflict".

In addition to increasing the workload, delinquency in MFIs made the work of loan officers similar to that of bill collectors (Hochschild, 1983). And not surprising, loan officers described themselves as debt collectors. They spent much time collecting loans as if that was their key task. 'Delinquency' related experiences and pressures thus partly offer an explanation for the low numbers of female loan officers, especially where being a loan officer was strongly associated with 'fighting battles' with clients. Women are not here customarily socialized or expected to be 'fighters' and personally 'cruel'. As a result some

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[97] A search tool in Nvivo was used to ascertain the spread of the word 'default' to the document database. The scope results showed 34 out of 39 documents. In addition, loan officers and their immediate supervisors talked more about default related problems than those in top management.

female loan officers faced further tension between wider cultural expectations and those of their job.

7.3.4 A New 'Business Orientation'

Most MFIs in Zambia started as not-for-profit NGOs meant to 'help' the poor (Chapter 3). Consequently, the emphasis was on achieving client outreach - getting numbers to 'please' donors and not firstly securing income for the immediate survival of the lending institutions. However, this financial paradigm has changed (Chapter 2, section 2.3). MFIs are required to be sustainable and 'commercial' with increasing emphasis on repayment rates and client numbers rather than other genuine social intermediation. Unlike Latin America experience, commercialization of microfinance is a relatively new consideration in Zambia. The term *commercialization* or *for-profit* carried with it a negative connotation among certain loan officers (and clients) who could easily equate it with exploitation of the poor. This highlights the conflicting interests (i.e. donors, MFIs, clients) with which loan officers were confronted, but also makes explicit the underlying regard for microfinance. In a focus group discussion loan officers openly expressed their uneasiness with the 'new' orientation:

> **L/O 1** "Are we in the business of helping people or making money? Why are we forcing these loans on clients? Don't force it on them let them express interest. We seem more interested in numbers and profit of course".

> **L/O 2** "We should be honest and say we have failed to serve the poor and tell them we are here for profit. We have given up on the poor".

A contradiction was perceived between profit and development and in particular, loan officers from CETZAM claimed that the original mission seemed to be changing its 'skin' to obey the logic of the profit. In addition the name of the institution (Christian Enterprise Trust of Zambia) was not suited to this change, further creating tensions and suspicions at the client-loan officer interface. The

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idea of sustainability is therefore a recent development (within the Zambian microfinance sector) which has yet to be fully embedded into the working culture of both the clients and MFIs. The comparative analysis of microfinance in chapter 3 showed that, most MFIs in SSA are still in their experimental stage and are latecomers to the concept of sustainability in comparison with MFIs in South Asia and Latin America. And even with SSA, MFIs in East Africa for example are way ahead of Zambian MFIs in reaching sustainability (Lafourcade, et al., 2005; Lapenu and Zeller, 2001). To be sustainable, MFIs must maintain high loan repayment rates. This has been pressed upon loan officers whose own job security then depends more on how they perform according to explicit quantitative as well as other indicators:

> "You know as a loan officer I can do everything very well in the field but as long as money is not paid or taken to the office then it counts for nothing. It is even better not to do anything else but have money paid" (Plastor).

Their position and nature of work was such that a loan officer knew that he/she carried part of the sustainability of their organisations [not their clients'] on themselves. For others, however, the priority given to measurable outputs had amplified their sense of conscience and guilt:

> "Sometimes we take harsh actions because we have a job to do but at times this can be a painful experience as there are clients with genuine problems. We feel very bad. But the office people don't understand, as they don't see these things in the field. The only way they will understand is when one brings back money. There are only positive results in a loan officers' job" (FGD).

> "These people or clients are our mothers, fathers, our brothers etc. It hurts me to shout or use strong words on my mother who has the money but does not want to pay! What am I supposed to do? You know, it hurts me as a loan officer and I don't want to do that but we are forced to do that (looks emotionally disturbed). What a contradiction!" (Kopeka)

These findings corroborate Rahman's (1999) observations in Bangladesh, where field staff were reported to have less time for social intermediation due to sustainability pressures. In group interviews loan officers confirmed that the collection of money (loan repayment) received most attention in their own performance assessment and evaluations were primarily based on 'repayment rates', 'portfolio at risk', 'client load' and timely submission of daily reports rather than to stable and sustainable client groups. Social intermediation, a founding characteristic of microfinance, was here being replaced by the pursuit of more visible, explicit outputs that also secured jobs for loan officers and legitimised continued donor support for their organisations. They further claimed that MFIs themselves were under pressure to 'drift' from their mission towards becoming more like traditional banks in pursuit of greater profitability. As such loan officers were working in fear for their jobs and found change difficult.

However, some also claimed that, there was 'nothing wrong' in pursuing institutional sustainability per se, just management's interpretation and use of that term- sustainability- was here thought to be almost synonymous with meeting targets, and therefore failure to meet such targets increased their sense of insecurity:

> "There is just too much pressure. Head office keeps on saying, "Donors want to pull out and we have to be self-sustaining". So that affects my work as I begin to worry about losing my job. The pace is too fast and if anything, it is a word that no one wants to hear. It scares us and the way it is being communicated to us is somewhat unsettling. But we don't realise that this will create problems for us when arrears start. Anyway, for now we are worried about numbers and amounts disbursed".

So there was more pressure on all loan officers to perform to targets as none (at the time) had yet achieved the expected full client load. On the other hand, maintaining high loan repayments (where group lending was problematic) meant increased loan officers' involvement in the actual running of client group

themselves. Broader development goals such as 'empowerment' or 'transformation' were thus disappearing from their 'acquired' working vocabulary as they turned their attention to more explicit measures. A long serving loan officer indeed remarked:

> "The language of empowerment is a 'technical fix' that finds its currency in management-donor meetings and reports. What we worry about are loan repayment rates".

The preceding discussion has shown that the loan officers' role is ambiguous and their work characterised with rising tensions and dilemmas. This role ambiguity and conflicting expectations have contributed to loan officers' negative perception of their job. What further challenges then do these issues raise for loan officers and how have they adapted to them?

7.4 Further Challenges

These challenges should be set against the shift from not-for profit to sustainable (profit orientated) organisations, and the broader Zambian context as presented in chapter 3. Microfinance is considered 'top-down', donor driven and lacking 'local ownership.' Both CETZAM and PRIDE started as NGOs and have until recently operated without an explicit legal framework. The 'charity' tag still lingers on in the minds of many clients and the wider community as well. The following specific challenges emerged in the course of research: inadequate training, handling diverse clients and group forming.

7.4.1 Inadequate Training

Working as a loan officer here called for some personal determination, managerial and organisational support, but to do that without (or else only limited) training was increasingly challenging. The expectations of clients and management were demanding, yet few had been properly prepared for this on entering MFIs. The problem of insufficient/inappropriate training has been

discussed before (Adair, 1992; Ackerly, 1995; Ahmad, 2002; Baumann, 2004; Goetz, 2001; Montgomery et al., 1996; Mukama, et al., 2005). Loan officers here also rarely received sufficient orientation, induction or training because they needed to be actively present in the community. The importance of training for loan officers therefore needs little further elaboration. Few loan officers however appeared to have gained the necessary skills to implement a group lending methodology, while many others had entered the 'field' without much appreciation of what was really expected of them. And Baumann (2004) observed elsewhere, that the educational system is least prepared to produce the kind of skills needed by MFIs. He further noted that development courses at South African technical colleges and universities for example, tend to be theoretical and general. In this study, those with up to two years of service complained of lack of training:

"I have had a very rough start in the sense that when I joined, they straight away 'threw' me in the field and also expected me to handle clients. I have not undergone proper orientation and have not received any training. They just gave me a manual to go through and also told me to learn from my colleagues. I have learnt it the hard way. At times, I have been challenged by clients during the MEC meetings over issues that I seem not to have knowledge or experienced. It can be embarrassing" (PRIDE Zambia).

"Currently a loan officer is just given a brief orientation and sent to the branches to work. There is no proper training given. Management expects branch managers to teach the new loan officers and also expect us to consult our colleagues. It is learning by doing and no one sits down to teach the other. There is no time for such. You pick things as you go on" (CETZAM).

But this all begs the question: Learn from whom? Whose practice did they expect new loan officers to learn and adopt? In those cases where loan officers had received training, they still had reservations about both its relevance and effectiveness:

"The initial training we received looked at the ideal situation where all people are making payments. It did not cater for situations where there were cases of default and how to go about it. So the training does not look at realities. For instance, the theory is that there is no room for arrears. But the reality is that, there are so many problems out there in the field and most things do not make sense. So the training gives a false impression or start to the job" (PRIDE Zambia).

"I think there is a great gap in the training, that they don't prepare you. I mean when I joined, issues of client handling and relationships were not brought to my attention. I was never prepared for that and I think that a lot of loan officers don't do not have what it takes to work with the poor" (former Loan officer)

Consistent with other studies, loan officers claimed their training now simply focused on ensuring they met targets, rather than enabling them to work more responsively in such complex and challenging contexts. Their work calls for capacity to deal with people rather than with things, for more interpersonal skills and fewer mechanical skills. This is not to suggest that accounting skills for instance were not important, but that in the field, loan officers also needed social skills (for building relationships) as well as other abilities, as a local microfinance specialist observed:

"Loan officers have to be trained to work with people of a different social class and so inter-personal relationships are paramount and one needs to have skills to develop these relationships and be able to manage the ties".

The lack of or inadequate training for loan officers occurred in all MFIs as observed by the AMIZ Director and a senior manager of one MFI respectively:

"Training of loan officers is not being considered as key by most MFIs. In cases where AMIZ has run some training workshops, turnout has usually been poor. Most MFIs are so concerned about immediate survival that they actually disinvest in training. However, a few MFI's do undertake some in-house training for their loan officers".

"Training is an expensive venture especially when faced with high turnover. We in management do appreciate the fact that new entrants (i.e. loan officers) need proper re-

orienting and intensive training which takes time and money. But we are not giving them that leeway because they have to be in the field".

Because of how loan officers were groomed by their organisations (in terms of immediate survival), inadequate training was not regarded to be as challenging as meeting targets. As such, challenges with an immediate financial implication for the MFI (such as: managing loan delinquency, reducing portfolio at risk, meeting repayment targets, maintaining expected client load and being accountable) inevitably concerned them most:

"Our challenges are multiple *but* getting client numbers, reducing the PAR and meeting targets top the list. These are most challenging and worrying issues for any loan officer".

7.4.2 Handling diverse clients

It is at the interface with clients themselves, however, that loan officers felt most vulnerable. Chapter five examined how loan officers' personal and social characteristics constrained or enabled their interaction with clients. Age, gender and educational background all impacted on how loan officers related with clients and empathized with them. Those of lower education (diploma and below) could break the 'social class' barrier easier than those with university degrees. Similarly, youthful loan officers were alleged to be 'rude' because they lacked respect for the elderly. Female loan officers were perceived to be emotionally unstable. These issues constituted a big challenge (but to varying degrees) for loan officers.[98]

How they met institutional targets was said to be largely dependent on how they 'marketed' their own personalities and handled their clients. They thus claimed that, 'microfinance is about character':

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[98] The challenge also varied between MFIs. Loan officers at PRIDE for instance, were not as close to clients as their counterparts at CETZAM given their Missions (see chapter 3 for details).

"It is not easy to manage a number of people in a trust bank. First as a loan officer you must be able to manage yourself well (in terms of your social behaviour and financial integrity) and work towards changing your own attitude and that of clients. In order to perform, you need to be focused, determined, courageous and firmly committed. In addition, one needs good public relations skills to 'connect' with various people and build relationships".

Inevitably, they faced the challenge of building trusting relationships and managing them, changing clients' attitude [and their own] towards debt and also managing their own emotions. For instance, creating an awareness that could help them change community and clients' perceptions of MFIs was a difficult challenge, which only received the rhetorical attention of management. Clients' perceptions of MFIs in general needed challenging and changing if microfinance work was to both expand and also remain sustainable. The extracts below illustrate the point:

"These people are thieves! They have come here to make huge profits and should not cheat us that they are there to alleviate poverty!" (PRIDE client)

"CETZAM is using donor funds meant to assist us the poor people, and not make profit. So why should they harshly demand repayment from us the poor people?"

The 'charity' mentality went deep and most clients regarded their loans as 'a small piece of cake cut from a bigger 'public' cake donated by 'invisible' donors'. Important as these issues had been to realising institutional sustainability, loan officers were not prepared to deal with the social aspects of their work responsively without also risking being antagonistic and emotionally affected as a result.

7.4.3 Group formation

On another front, client mobilization and group forming were a challenge (in view of the low client outreach by the MFIs) for loan officers, but particularly for new loan officers (of less than one year) who often described their first

experiences in the field as 'frustrating', 'depressing', 'disappointing' and 'time consuming'. Newer loan officers had not yet learnt from their [older] colleagues about how to 'fast track' group development or had not yet established appropriate contacts within the local community and the markets where most potential clients conducted their business. The question was: why was group formation considered to be so problematic? Why did officers find it so frustrating? One manager illustrated this source of frustration:

> **Maso**: "These people [loan officers] have a tough job to do and do put in a lot. But they feel insecure and that tends to affect their performance. They have targets and are expected to meet these targets and no stories. But you see management does not appreciate that group formation takes time if one is to come up with a quality loan to a TB. If a loan officer moves quickly to form groups in order to meet set targets, they will have problems of delinquency later. On the other hand, if they take time to form a quality group of clients, they will not meet the set target in client numbers and therefore will be deemed lazy and have a bad assessment and their jobs will be on the line".

> **Researcher**: So what should they do?

> **Maso:** They need to find a balance and the painful thing is that assessment does not take into account the process of forming the group. It's difficult to find a balance. Those who make decisions don't know what is out here [the field] and at the same time don't make use of the valuable information that L/Os have. For example, one of the L/Os has been 'labelled' as unproductive, lazy, failing to meet set client targets, when in fact this LO is very hard working. The problem is that management does not know the environment these L/Os are subjected to. The concerned L/O feels very frustrated.

A long serving loan officer at CETZAM added:

> "Management says that the key task for loan officers is to form good groups and give quality loans, yet, when we try to do this, the issue of meeting our targets is raised. Therefore the desire to see long term positive change in clients is there but the overemphasis given to meeting targets frankly gets in the way."

Loan officers found it difficult to convince others into becoming MFIs' clients by joining groups. It would seem that microfinance services were here supply

rather than demand driven. But why would the poor not want to get group loans? Loan officers also found forming groups a challenge because microfinance in Zambia is heavily top-down, and has secured limited grassroots participation, and therefore lacks true local 'ownership'. Client outreach was therefore considered to be the sole responsibility of loan officers because they were 'paid for it'. There was limited evidence of mutual partnership when it came to group forming work itself. The ultimate challenge however, was crystallized in the dilemma of having to simultaneously satisfy different demands from clients as well as MFI management and manage relationships with both.

7.5 Adaptive Strategies

Being at the lower end of the hierarchy, loan officers were confronted with a variety of problems and faced real social and personal issues. Loan officers' entanglements with these two different social worlds often produced a body of local knowledge based largely upon personal experience, through which they devised their own strategies of interaction. To cope with pressure and competing demands, loan officers, like 'street level bureaucrats', carved out for themselves a degree of autonomy' and reprioritised their activities to make them more manageable. They also changed their practices, language, and behaviour to accommodate the different demands made on them by their branch managers, management and clients. Loan officers, therefore, did not necessarily pursue officially stated lending procedures. For instance, the formal orientation period of 10 weeks was not strictly adhered to, less time was spent on client screening, and client's businesses were not visited before disbursing loans.

"You see group loan rules are very difficult. It is just we, the loan officers who are in contact with you clients that make things easier for you; otherwise not many people would be getting loans. For example, when books don't balance, we try to do something about it to ensure they balance".

"There are MECs that are very good and make payments on time but others are problematic and so as a credit officer I have to help in keeping those MECs intact by *flouting* a few rules here and there just to try and maintain them. If I strictly stick to the rules, then a lot of people will be frustrated and the whole process won't just work".

So lending procedures and group rules were 'chiselled' out in order to meet pressure from clients for quick disbursement of loans and also satisfy (at least temporarily) their superiors' demands for higher volume throughput. Loan officers adapted by reducing the time spent on activities (such as counselling and training) that were less visible and which also invited more arbitrary judgments upon their individual performance. Like other 'street-level bureaucrats' they too sought ways to reduce the intensity and range of their work tasks, and limit the demands and expectations placed upon them (Goetz, 1996; Lipsky, 1980) through group management by selection or 'cherry-picking' as the conversation below illustrates:

Client: 'We are not at the meeting place now because you [the loan officer] always come late for meetings. So we were expecting you around 15.30 hours.'
Another client adds, 'In fact the other time you made us wait for hours and never turned up so we thought you were not coming today as well'.
Loan officer: Oh! I am sorry. It is just that I had other pressing things to attend to at the office.
Later the loan officer says: "Usually as loan officers we tend to sideline good performing TBs in order to give time to problematic ones, especially those in arrears. We pay more attention to those giving us problems and so this group here has no repayment problems, as such I just pass through like this to ensure I chat with them. So I didn't come when they had a meeting because I was following up those affecting our portfolio. That is the only way one can cope with work".

These adaptive strategies had other unfortunate knock-on effects – making it difficult to shape microfinance as originally intended. Strategically loan officers concentrated on those activities that had an immediate demonstrable financial impact. Other important areas of microfinance such as relationship building and training of clients were reduced as a result. Loan officers found themselves

putting survival of the institution ahead of their clients, and spending less time on social intermediation. But they felt the 'burden' of carrying microfinance work on their shoulders as if so much depended on them. As a result, some resigned and others began to 'invent' their own procedures to cope with the emerging situation.

7.6 Conclusion

The chapter has described the actual roles of loan officers and the nature of their work in the field. It has shown that the loan officer is a key figure of the lending process, as he/she is the link between MFIs and the clients. They are the actors with 'grounded knowledge' of microfinance. In addition, they represent the institution outside, so they must be well trained, responsible and motivated, but also able to manage relationships with clients. Loan officers had multiple roles but were found so engaged by the 'new role' of debt collecting that they sidelined their original roles as facilitators and enablers of development. In view of top-down pressure to meet targets, loan officers' jobs had become more diverse and disparate, with other responsibilities, added accountability, and increased span of control. In addition to pressure of work and workload, their work also carried certain tensions and other conflicts. Loan officers were mainly groomed to meet prevailing institutional targets rather than enabling them to work responsively in a more complex and personally demanding local environment. In addition they judged their work as increasingly demoralising. The emphasis on targets significantly altered how loan officers experienced their roles and relationships, and how they came to regard microfinance in action. Based on the actors' own narratives, the practice of microfinance can be very ambiguous. This chapter has therefore shown that accounts of the everyday practices and dilemmas faced by loan officers could help to inform expectations, and expose uncritical admiration of microfinance, and put other unrealistic critiques into perspective. How then do issues of loan officers' motivation for developmental work, interactions with clients and what they actually do in the

field affect the institution's sustainability and diffusion of microfinance? Chapter Eight draws the key themes together and reconsiders the initial question of variable take-up of microfinance from the perspectives of the actors who deliver it.

Chapter Eight

Discussion

8.1 Introduction

This research has sought to illustrate and explain the variable take-up of microfinance from the particular standpoint of the actors who actually produce and deliver microfinance. It has drawn attention to issues of relationships, action, tensions, and compromises in the real work of loan officers, which ultimately define how microfinance works. It now identifies key emergent themes based on the empirical evidence itself. It sets these against existing knowledge about the microfinance strategy for poverty reduction and the role of loan officers. Such computer facilitated thematic discussion arises because microfinance is not easily categorised and produces rich field data accordingly.

8.2 An Overview of Approach

The study called for an in-depth study on loan officers because evaluation – driven studies were largely concerned to determine whether programme inputs subsequently produced the predicted results (impact) without demonstrating much concern for the intervening process. It argued that this approach was essentially deductive and did not fully explain the means whereby particular outcomes had actually been achieved. The result had been an all too deterministic approach to explaining the variable international take –up of microfinance across different world regions. This alternative approach incorporated the study of microfinance in action (Figure 8.1) would thus account for other factors which might further explain how variably microfinance diffuses.

It involved a qualitative, anthropologically grounded methodology based upon a constructionist epistemology to explain why this is so. Other approaches deal with microfinance at a 'design' level without exposing actual implementation issues themselves. In seeking to advance knowledge of microfinance in action, a more bottom – up perspective was employed compared with previous research. This study has not evaluated the 'impact' or relative 'success' or 'failure' of microfinance as such, but instead has analysed the processes and practices that account for the variable take up of microfinance in the case of Zambia.
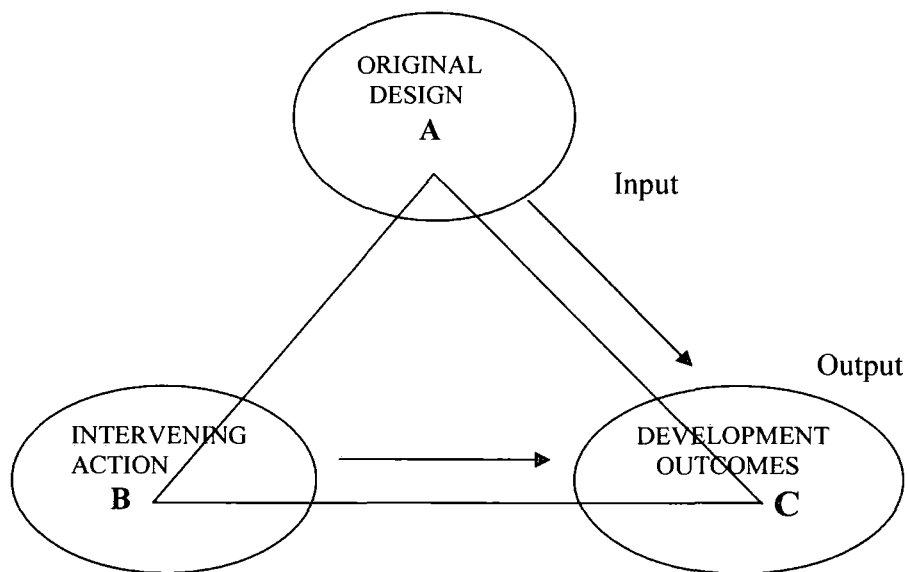
Figure 8. 1 An alternative approach to microfinance

Previous literature concentrated on design and 'development' (i.e. A to C-figure 8.1), resulting in numerous studies about the lending techniques and impacts of microcredit/finance, specifically directed 'upwards' to donors to justify the allocation of resources. However, the 'Design – Development' mode (A to C) in effect bypassed **B** (figure 8.1) and overlooked the intervening feedback from the grassroots themselves. Research has almost proceeded as though the implementation of microfinance did not really matter, with success assumed to

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depend upon having a good design for the right institutions, followed by efficient resource allocation. The Design-Development mode may generalize outward across microfinance institutions and places, but is limited 'downward' to practice (Mosse, 2006). The approach disclosed little about the means of development (**C**). MFIs and lending technologies might be similar but *how* they work varies greatly. The study argues that expected development (i.e. **C**) should be informed by both the design and subsequent implementation of microfinance. Therefore, how microfinance actually works cannot be fully comprehended by deterministic economic analysis alone, but should take into account its wider social context (**B**). As a result a different set of issues that focus on trust, tensions, emotions, conflict and ambiguity emerge which demonstrably affect any outcomes (**C**) actually achieves.

Subsequent discussion is now thematically structured to reflect original research questions. Loan officers' judgments of microfinance were initially framed according to the orientation that resulted from their recruitment and later experiences in the field. Therefore the key themes about their judgments, relationships, and practice of group-based methodology, demonstrate what was found in relation to this wider literature.

8.3 Loan officer Work

This research found that there was a wide gap between the work that loan officers actually do and the organizational image of a loan officer, which is associated with facilitation. Their work was found to be stressful, fragmented and characterised by particular difficulties. Their reported experiences revealed the informality and unstructuredness of microfinance at the point of interaction with clients. These findings support Lipsky's (1980) model of 'street-level bureaucrats'. This model has been employed by other researchers (Brodkin, 2000; Hasenfeld, 1992; Hillhorst and Schmiemann, 2002; Fineman, 1998; Keiser, 1999; Riccucci, 2002) to explain how frontline workers obtain and

exercise discretion regarding public policy implementation. The model directs attention to how policy deliverers (in this case loan officers) actually work and attempt to resolve and/or manage different objectives and demands. Drawing from the 'street-level bureaucracy' model, this evidence here revealed how the practice of microfinance was effectively reconstituted by the actions of loan officers, albeit in somewhat unintended and also unacknowledged ways. By focusing on the informal, lower-level routines that actualize policy at the point of delivery, the study has therefore afforded greater transparency to those microfinance processes, which have otherwise been opaque. Loan officers at the "bottom" of the MFI organisational ladder are the other "policy makers" and "shapers" of microfinance in practice. Similar results were found in Bangladesh (Goetz, 2001). A particularly interesting finding was the relational nature of the work – there has to be a social construct between two parties; especially that between clients and loan officers, and also management with loan officers. This perspective could now be further enriched by incorporating the concept of emotional labour as developed by Hochschild, (1979) and Ashforth and Humphrey (1993).

8.3.1 Emotional Labour

This concept has not been used like this before despite being inherent in the nature of the work itself (see section 2.9). Ahmad (2000) and Goetz (1996, 2001) make reference to 'bitter' relationship experiences of field workers, in particular those related to non-repayment of credit. Ahmad (2000) reported that field workers abused clients over non-repayment of loans and felt embarrassed when women clients cried in meetings due to inability to repay. Field workers felt such pressure to show compassion but at the same time obtain the money borrowed that some believed they were compromised as a result. Rahman (1999) reported similar findings.

Moreover, economic surveys do not disclose the emotive dimension of microfinance experienced by those interacting closely with the poor. This study

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finds that microfinance is about 'compassion management' (Frost et al., 2006) and can be emotion laden. Loan officers' work often entails focusing on tasks that are difficult to measure (like having to visit clients when sick or bereaved). Therefore an ability to manage or express appropriate emotions is central to loan officer-client relationships. First, loan officers, like other front-line service actors, are situated at the organization - client interface and thus represent and 'personify' microfinance institutions to clients themselves (see chapter 7). Second, their work involves face-to-face interactions with clients and their encounters have a changeable and emergent quality. Based on these factors, the behaviour of the service agents (the loan officers) strongly affects clients' perceptions of microfinance. Emotional labour therefore has potential to interpret more of what was expressed as negative about their experiences by the CETZAM and PRIDE Zambia loan officers who found it a challenge to manage emotions, especially regarding repayment targets. The loan officers who were not fully prepared for 'sensitive' frontline work often struggled to manage the stress of "wearing two hats" – that of 'debt collector' and 'facilitator'.

Applying emotional labour also reveals the gender dimensions of nature of work. Women were often described here as compassionate, charitable, agreeable and kind (representing the 'toe'). They were not expected to be aggressive or forceful (the 'heel') as when dealing with defaulting clients, while for male loan officers it was expected as 'normal' for them if they displayed emotions that revolved around anger and implied threats in order to induce fear and compliance in clients. From this perspective, this study offers insight into why female loan officers came to be regarded as unsuitable, or had to be more 'like men' to perform or even 'twice as good' as them. This meant that female loan officers had to become 'sociological males' (Goetz, 2001, p.265) by learning to be more aggressive, competitive and dominating. The problem of this strategy was that both male and female clients often found such aggressive behaviour an unacceptable gender role violation. This dilemma for female loan officers remained unresolved. This study has shown that microfinance work is laden with emotions and that loan officers have to learn to manage own emotions under

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pressure to construct relationships with clients and possibly gain social 'acceptability' without which group forming and performance could become problematic.

Because their work presented many challenges, loan officers did not follow the formal procedures and policy as part of 'own' formulated strategy to cope with different expectations and demands. From their perspective, it was the most 'practical' way of making sense of the 'informality' of microfinance at the point of interface with clients (a majority being illiterate or semi-illiterate). Alternatively, the way in which loan officers undermined and subverted aspects of formal lending procedures reflected different "realities". This does not suggest either that loan officers did not know, or could not carry out, what was required. It could instead simply mean that they found most of group-lending requirements to be inappropriate in their specific environment at the time. It also helped them deal with other dilemmas of microfinance at the interface with clients. Loan officers were never passive in the face of such changes and challenges; many struggled to make sense of their experience, and to find new ways of articulating their role within the changes that affected their work and personal lives.

8.3.2 Role Conflict and Ambiguity

The role of local-level development workers (loan officers) has been neglected. Previous studies have represented loan officers' role to be that of simultaneous village counsellors, money managers, conflict mediators, facilitators and debt collectors (Ahmad, 2000; Goetz, 2001; Ito, 2003; Montgomery, 1996). Others have observed contradictory demands on loan officers (Jackson, 1997) and rising tensions in the face of competing demands. These findings generally support the view of loan officers' roles as facilitators. The loan officers here however lacked a clear prior understanding of what would be their intended role, and subsequently, 'took up' other ambiguous and potentially conflicting roles.

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Previous studies are less explicit on role conflict. For instance, less is known about loan officers' priorities in the context of change of mission, and pressures for sustainability. How do loan officers adapt to these potentially conflicting roles, and what impact does this have on how they interact with clients? This study has addressed these questions and produced evidence to show that organizational self interest, rather than clients', may determine loan officers' priorities. In this case 'debt' collecting rather than the facilitative role took priority in response to immediate pressures for economic survival. Loan officers' role was therefore not given but situationally determined where the situation enabled the 'appropriate' role to emerge.

Whilst the microfinance literature has not dealt with role issues, other organisational studies have long been concerned about what occurs when individuals have multiple and mutually incompatible roles (Conley and Woosley, 2000; Katz and Kahn, 1978). In this case the roles of 'facilitator' and that of 'debt collector' were found to be particularly incompatible. Loan officers never seemed to be only facilitators or only 'debt collectors'; they always seemed to be both, and according to many of loan officers, they reported feeling split between "what to do when" as a "facilitator and [as] a debt collector". In addition, the 'strategies' loan officers developed to manage these contradictions blurred their judgment of microfinance itself. They made microfinance appear to be largely about disbursing loans and repayment, with wider issues eclipsed by concern for survival and job security.

The delivery and practice of microfinance itself has changed with increased private participation and now moves towards its commercialization (Prahalad, 2005; Rhyne, 2005; Fernando, 2003). Microfinance is presented less as a charitable endeavour and more as part of building an 'inclusive' financial sector. Similarly, CETZAM and PRIDE Zambia like other MFIs in the SSA region and elsewhere are required to 'transform' themselves into sustainable for-profit institutions, guided by orthodox banking principles (see chapter 2 and 3). At a

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policy level therefore, there is a changing discourse from 'charity' towards 'commercialization'. But, this shift (still in its elementary stage) may not dovetail with actualities at the grassroots. Consequently, loan officers were caught in the middle of two different working 'contexts,' as Zambian MFIs (and indeed many of MFIs in SSA) are in an intermediate stage of transformation. How loan officers then judged their work could be viewed as depending upon loan officers being both 'facilitators' and 'debt collectors' and, at another level, on MFIs still considered 'social NGOs' as against their 'new' identity of 'commercial profit oriented' institutions. Which role MFI's management, and ultimately loan officers, actually prioritise can thus affect how microfinance subsequently evolves.

By shadowing loan officers in order to capture what they actually did (see chapter 4), this study has shown that loan officers are not empowered to do 'proper' microfinance as a result of growing emphasis on institutional sustainability. They can become 'loan repayment agents' as opposed to 'development workers' (Goetz, 2001) or 'enablers' of growth. Loan officers were preoccupied with negative interactions with clients, instead of those roles which foster the idea that MFIs are institutions that support and facilitate 'empowerment' of poor clients. This change in priority has undermined existing client loyalty, trust and slowed down new client solicitation as well.

So far, the literature has not yet viewed loan officers' role conflict and ambiguity from an accountability perspective. This study found that loan officers' position gave them a central role in integrating both the upward (to management) and downward (to clients) accountabilities, but many found it difficult to strike the right balance between them. Their role in facilitating accountability at the grassroots, within the broader NGO accountability debate alone calls for further research.

8.4. Working Relationships

Literature has emphasized that borrowing group members have strong, embedded ties, and likely to know one another prior to group membership (Anthony, 2005; Hermes et al. 2005; Johnson, 2004; Morduch, 1999; Woolcock, 1998). As a result previous literature has focused on group dynamics and in particular, horizontal relationships among members (Figure 8.2 **A** below). These studies are based on the assumption that the poor are inherently predisposed to working collectively in groups (Sherraden et al., 2004), which also have the potential to empower clients (especially women). Consequently, they have focused on the role of social capital (especially amongst members) and networks in group forming and subsequent performance (Bastelear, 2000; Woolcock, 2001). The loan officer-client relationship itself is presented as tangential. In particular, the factors that enable or constrain their interactions with clients are only inferred in most studies-especially in impact studies (Copestake, 2002).

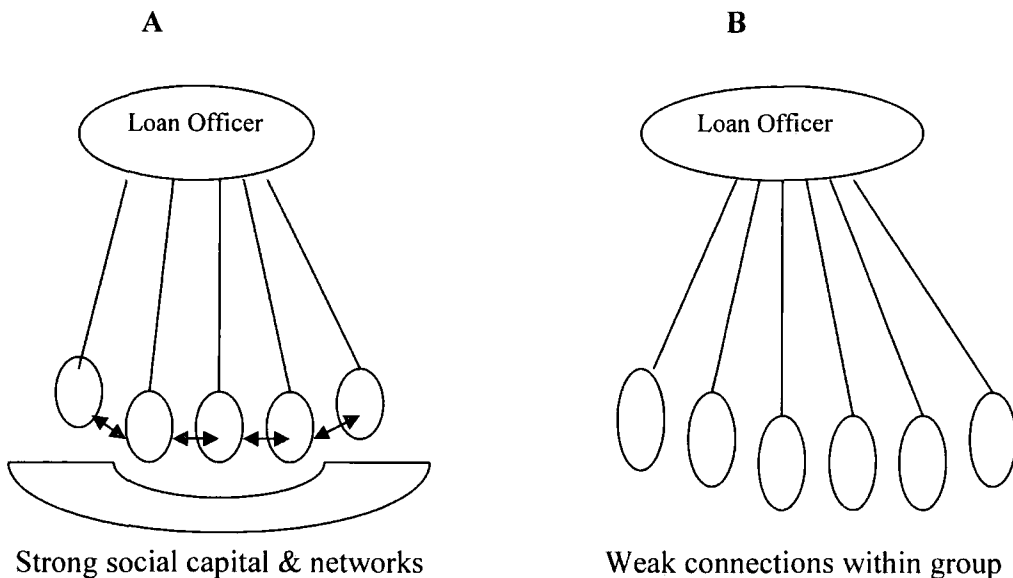Strong social capital & networks   Weak connections within group

Figure 8. 2 Configuration of social networks and relationships

Close observation of client groups at CETZAM and PRIDE Zambia revealed a greater diversity, and while a few groups were coherent, most were problematic.

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Thus, this study argues that the assumption that social capital is the 'glue' that makes the group members stick together and enforce loan repayment is difficult to reconcile with the actual evidence of increased direct loan officers' involvement (chapter 6 and 7). The findings give little support for the role of social capital and instead argue that the arrangement as seen in figure 8 (A), mostly observed in rural based microfinance programmes in Bangladesh may not hold. Microfinance in Zambia (like in many other countries in the SSA region) is much more urban based (and so is poverty). However, the "modernised" urban are currently characterised with weak social ties (Copestake, 2001; Humphrey and Schmitz, 1998). The evidence here resonates with Ferguson's (1999) ethnographic accounts regarding changes in urban cultural forms, social interactions, and configurations of identity and solidarity on the Zambian Copperbelt. Solomon (2003) also noted that more 'urban' groups in Ghana were not as close-knit and their relations not as intimate. Relationships in member groups were increasingly shaped not by solidarity principles, but by vertical relationships of control and dependence on loan officers (see figure 8 (B) above). As a result, group dynamics, cohesion and performance were greatly influenced by loan officers' personality and intensive involvement[99]. Horizontal relationships among members were becoming less important than previously thought, signifying limited participation. But participation can help build ownership and enhance transparency and accountability, and in doing so enhances effectiveness of development programme. The limited intra-group participation observed in meetings and change in relationships could point to a recreation of traditional patron-client (i.e., vertical social capital) between loan officers and borrowers (McGregory, 1997; Fisher, 1997; Hoque and Siddiquee, 1998; Ito, 1998), where group members are loosely united with a sense of serving a common "patron" who has discretionary power over their individual loan applications. The case shows

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[99] In their study of farmer groups in Southern Zambia, Bastelaer and Leathers (2006: 1797), found that repayment of seed loans was strongly affected by the number of visits by an extension agent or a representative from the organizing entity-suggesting external influence and involvement.

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more external control and participation (from the top through loan officers) in groups, but only because institutional self-interest was threatened. Instead of working through group leaders (assumed to have been 'elected'), loan officers were developing 'personal' relationships with individual members, and needed more time and resources to do so. It was a question of how well connected to the group [and community] a loan officer was, rather than member connectedness, which here determined acknowledged "success". Personal characteristics and 'charisma' became overriding factors for loan officers themselves, making their relationships sensitive to local cultural expectations. Moreover, client relationships were becoming more driven by the need to keep repayment rates high and secure jobs, rather than grooming clients to collectively manage their way out of poverty. Central to these relationships, however, were trust and reciprocity.

8.4.1. Trust

Theories of trust and reciprocity offer further insights to the nature of relationships within group-based lending methodologies. Microfinance is intensively social and ideally thrives on high levels of mutual trust. For sustainable relationships to develop, clients need to trust their loan officers, and also trust each other. In other words, trust seems to arise from accepted cultural norms that specific people will cooperate, keep verbal agreements, and act reciprocally (Lyon, 2000). This trust is integral to group stability, controlling of transaction costs, smoothing conduct and thus programme performance (Bebbington and Goomez, 2006). In addition, mutual trust between loan officers and clients, and also amongst clients themselves, reduces mutual suspicion and creates other opportunities for improved group's performance (Bastelaer and Leathers, 2006; Woolcock, 1998). However, if trust breaks down between loan officers and clients (and among the members of the group) then other problems emerge and eventually groups can become dysfunctional. Loan officers and clients in this study both suggested that this had already occurred. Certain group

leaders and loan officers were not trusted with money. In fact, it was often difficult to trust anyone with money, implying a 'culture' of mistrust[100]. Bebbington and Gomez (2006) observe that groups which find trust problematic tend to experience higher rates of default, drop-out and even embezzlement[101]. Research in Bangladesh and India likewise shows that group-based microfinance services build trust between members, improve relationships within the wider community and increase self-confidence (Goetz, 2001; Kabeer and Mosley, 2004). Unlike these findings about trusting relationships, this case showed a general lack of trust. Smets and Bahre (2004) argue that, the success of group – based lending depends largely on trust in the actors who participate in them, and less on trust in institutions themselves. Because loan officers here represented MFIs to clients, a lack of trust in them meant that most clients lacked trust in the MFIs concerned, making it difficult to orally market services through clients' positive 'word of mouth'. Trust amongst group members was also problematic not only because they lacked close ties, but also because of weak group accountability and limited transparency in dealing with each other. Weak mutual trust may have more restrictive, longer term implications than envisaged. These findings might help explain the slow down in the diffusion of microfinance in Zambia and other less trusting cultures. As Fisher (2002) noted, "'credit' after all means 'trust'".

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[100] Based on personal communication with AMIZ Director (Lusaka, 29/5/04) and with Head of Credit - CETZAM (Kitwe, July 2004). This view was reinforced by two women clients who unashamedly revealed that they (the poor) would rather trust 'umusungu' (white person) than MFIs' staff because the white person keeps his/her promises. Trust amongst MFI' staff was equally problematic.

[101] During the course of field study, certain members of staff at branch level were being investigated while others were dismissed (two of which had earlier been interviewed). The researcher heard numerous stories of embezzlement. Most client groups' on the other hand were inactive due to similar incidents –group leaders or treasurers disappearing with collected money. However, the extent of these issues was not investigated as this was outside the focus of the research.

8.4.2. Reciprocity

The study supports Cropanzano and Mitchell's (2005) observation that microfinance literature concerning group dynamics has not sufficiently focused on expectations of reciprocity in loan officer-client relationships. Here loan officers believed that most clients developed a good credit record and encouraged others to do so based on the loan officers' own individual 'goodness' to them. From a client perspective, duty to reciprocate loan officers' 'helpfulness' and 'understanding' came first, and obligation to repay the loan as an agreed contract could be secondary. 'Good' group performance (i.e. loan repayment and group forming) was not only driven by the possible economic value of accessing future loans but also by the strength of the developing social relationships between them and loan officers. The extent of reciprocity could alter the nature of relationships. One CETZAM loan officer, for instance, had problems with repayments from a group because he did not visit a client (who later died) in hospital. Unlike formal banking, social exchange relationships (see chapter six) matter in microfinance (Schreiner, 1999). Interestingly, comments from these loan officers (especially from CETZAM) indicate that when they made extra effort to reciprocate (by giving 'favours' to clients) it was also to protect their jobs and not just for the clients' own long-term benefit. Overall the research found that the critical element of success in group lending was the existence of enabling social relationships between loan officers and MFI clients (and not amongst clients) - an element neglected in the literature and overlooked within other empirical surveys. Loan officers, in this study, faced a dilemma: having 'good' relationships meant that loan officers had to be 'culture-fit' (Beugre and Offodile, 2001) in their approach, for respect for elders still shapes interpersonal relationships in Zambia and other African countries. However, loan delinquency and pressure to achieve high repayments made it difficult for loan officers to observe such expectations. As a result many of them felt morally conflicted (see chapter 6).

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8.5. Group-based Methodology Practice

Previous research has explained the success and/or failure of the group methodology in terms of levels of social capital and enforcement of social sanctions where members default (Anthony, 2005; Morduch, 1999; Woolcock, 1998). Client groups are portrayed as self-managing with major roles of 'peer monitoring' being taken by members themselves. Others claim that the success of microfinance programs and client groups depends more on the activities of loan officers (Diagne et al. 2002; Isaia, 2005; Jain and Moore, 2003; MkNelly and Kevane, 2002). Evidence here supports the latter view, where loan officers were not only central to group formation but, more importantly, to clients' group recorded 'successes', especially loan repayment (see chapter 6 and 7). The case showed that social capital (especially among poor women) and active participation amongst clients were not necessarily key factors in explaining group success or failure. It has shown that groups had effectively 'delegated' monitoring duties and collection of money to the *de facto* group leaders – the loan officers - instead. This could mean that, while pressure from the group did certainly play some part in repayment, loan officers were in effect the 'human' glue or 'linking pin' who would create a 'better' group through their 'pastoral care' and 'debt collecting'. In view of this, loan officers' sense of having "boundless roles" should be seen partly as a consequence of client orientation and also a breakdown of mutual responsibility for joint-liability loans. Because lenders (through loan officers) could not rely on the clients themselves to help with screening, monitoring and collection of money, loan officers took up those tasks and thereby increased their workload.

Notwithstanding loan officers' contribution to the stability of client groups, the unintended consequences of intensive involvement have not always been fully acknowledged. Loan officers (under pressure to account for group performance and meet measurable targets) faced a paradox in their work and began 'adopting' group members' responsibilities and roles, thereby making them more

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vulnerable to 'temptations' of fraud. Group accountability amongst members also became more problematic. Instead of jointly accounting for the loans, members sought individual accountability directly to loan officers in contrast to group solidarity and mutual accounting, which are the founding principles of group lending methodology. This result negates the idea of local or group participation and the intended principle of self-group management and can potentially lead to a more disempowering "dependency" instead. Some clients claimed that, besides the issues of fraud, loan officers tended to introduce their relatives and friends in groups (contrary to laid down rules) who then 'failed' to pay off the full loan, thereby affecting that group's sustainability.

With regard to group meetings, clients' understandings were largely framed by their initial orientation and subsequently by the predominance of money collection relative to other activities. Clients clearly did not regard these meetings as social occasions but simply as the time for making repayments, which contrasted to the assumptions that groups (especially for women) provided an opportunity for mutually supportive socialising[102]. While this may be the case for certain contexts in South Asia, especially for women who are socially isolated (Goetz, 2001; Isaia, 2005; Rankin, 2006), women's social circumstances in the Copperbelt were different. They preferred socialising in informal places such as the markets and, for the less poor, kitchen parties (Raising, 1999), here exclusively organised for women. This could imply that clients (especially women) rely more on informal social interactions, traditions, and customs than on established formal associations to build trust and common values that underlie group dynamics. Generalising from a specific context like Bangladesh to Zambia and the rest of SSA region reflects an implicit assumption that all developing country contexts are the same.

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[102] Researcher noticed that in some Trust Banks, children aged about 14, attended meetings as proxies for their parents or guardians. Other group members together with concerned loan officers seemed comfortable with it.

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Development efforts focus on building institutional capacity through the encouragement of local self-reliance, based on sustainable groups of clients. These are aimed at empowering the hitherto excluded. The assumption is that if progress is to be achieved it cannot be imposed from the outside and has to be built on small locally based initiatives (Marsden, 1994). The findings on group dynamics and management support the general assumption in organization studies that actors will be more responsive if they are a part of the design and implementation of programmes (groups in this case) which affect them and if they have made some investment or commitment to them. Such an approach may foster more 'ownership' and active participation.

Unlike the Zambian experience, the bottom-up approach underpins the self-help groups (SHGs) approach in Bangladesh. But like most developmental activities elsewhere (Peredo and Chrisman, 2006, p.311), microfinance in Africa (and in particular Zambia) has been conceived externally (see chapter 3), which has often led to less significant sense of ownership on the part of clients (even amongst loan officers as well as their managers). Even though SSA might have a rich heritage of indigenous associations, such as the ROSCAs, there is ample evidence of failure of past group/community projects across Africa (Nissanke, 2001; Porter, 2003). A review of group-based activities in Ghana (Lyon, 2000) and elsewhere suggests that the successful groups are typically those established by their own initiative, which have evolved slowly, and allowed individual members to identify their own objectives and manage their own income. These groups share norms of trust and cooperation which are embedded in social relations at large. This was not the case with client groups at CETZAM and PRIDE Zambia. As Goetz and Jenkins (2005) have observed, this research finds that where client groups are set up and controlled by MFI field staff (external influence exerted), they are not readily sustained and might not adapt themselves for other collective purposes. The direct involvement of loan officers may increase group performance but may inevitably diminish group cohesion and

input (as self-selection principle is not enforced in the first place) and later weaken group accountability, especially in time of default.

These findings raise an important issue: even where there had been potential for success, it can be inhibited by loan officers' domination of groups themselves. Client groups are not to be managed just for purposes of facilitating institutional survival where this weakens their claim to 'empower' the poor. These observations are significant when placed in the context of the current literature on NGO accountability relationships (Ebrahim, 2005; Goetz and Jenkins, 2005; Kaldor, 2003; Najam, 1996) and, in particular, accountability at the grassroots (Dixon, et al., 2006).

8.6. Accountability

Hitherto accountability has not been sufficiently incorporated into the study of group dynamics in microfinance (especially in 'low' trusting cultures). Accountability is itself argued to be a relational concept (Ebrahim, 2005; Roberts, 1996). From an accountability perspective, therefore, the lack of active participation and mutual accountability exhibited in client groups of CETZAM and PRIDE Zambia restricted the goal of tackling exclusion and the marginalisation aspects of poverty. The recent World Development Report (2006) and several others (Goetz and Jenkins, 2005; Malena et al., 2004) have made similar links, although directed more at state and citizen relationships rather than grassroots. However, accountability may only really make a difference if it helps overcome problems in groups and also fits the essential 'informality' and 'oral' character of microfinance. This case shows that the challenge is to ensure the appropriate accountability takes place within groups and also between the groups and their loan officers. The question is: accountability for whose benefit? In this case, it was accountability to monitor outcomes based on reporting systems that were typically aligned hierarchically and entailed a "surveillance" frame of control (Munro and Hatherly, 1993, p

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369). As a result, loan officers were imposing a vertical type of accountability that served their organizational interests, and less for the purposes of promoting intra-group participation and self- management. A comparative accountability framework for explaining microfinance in action should offer a new dimension to the problems faced by loan officers in client groups. Loan officers' attempt to take the informal into account here presented a considerable challenge to hierarchical accountability and relationships. This perspective fits Goetz and Jenkins arguments regarding 'Reinventing Accountability' (2005). While they take a macro level perspective to NGO accountability, this research extends their argument by linking it to the grassroots' groups, and also argues that appropriate accountability at the grassroots is an integral component to 'empowerment' and hence poverty reduction. But, the CETZAM case (in particular) has shown that more calls for accountability do not necessarily lead to better development outcomes. The vertical/hierarchical accountabilities particular to MFIs in Zambia effectively gave more power to loan officers to hold clients accountable to them (and not vice-versa), while weakening horizontal accountability (amongst group members). An important general caution is that a standardized approach to accountability may require a careful consideration of significant differences that exist amongst microfinance NGOs and MFIs.

8.7. Loan Officer Capabilities

Several studies (Andaleeb, 1996; Ahmad, 2000; Baumann, 2004; Churhill, 1999; Olive, 1996; Paxton, 1999) have already found that field workers rarely receive proper socialization on the grounds that they are needed immediately in the 'field' or are constrained by tight budgets. The findings here support these concerns and additionally, loan officers here did not possess both business development and human relations skills, and in particular, "streetwise" skills (Gambetta and Hamill, 2005; Mukama, et al., 2005) specifically related to microfinance (Andaleeb, 1996; Sherraden, et al., 2004). Griffith (1987) also found that many field workers were not trained to identify the poorest and how

to deal with different social relationships. Baumann (2004) in particular noted that South African loan officers lacked 'life skills' and a 'mature work ethic'. Mosse (2005) has emphasized the importance of social relations to development (especially community-driven development). So why it is that this is so overlooked in developmental work? Practitioners and donors have concentrated on technology transfer and staff capacity building at management and supervisory levels (Basu et al., 2004). Yet even where loan officers have been the focus of training it has sometimes been inappropriate and/or inadequate for promoting and managing group dynamics. Loan officers here claimed that their training favoured technical and accounting skills and not other aspects of 'development' work (see appendix 3 for a proposed loan officers' course organised by AMIZ, 2004, and in-house training by MFIs). The experiences of loan officers suggested that, though variously regarded as the 'agents' (Jackson, 1997), the 'heart of microfinance' (Chua, 1998), the 'linking pins' (Likert, 1967) and 'implementers' (Ahmad, 2000), they were nevertheless marginalised, and lacked a thorough understanding of what their work entailed as well as what others expected of them. Accordingly, Sherraden et al., (2004) have identified the need for staff in microenterprise programs to possess an unusual mix of skills because facilitating development in individuals or groups can call for some commitment to one's own development as well. The existing knowledge gap and skill needs to be addressed for microfinance to gain critical mass among communities.

Although previous studies have highlighted loan officers' limited training and other capabilities, they have not explored how microfinance is conducted. How can loan officers be change 'agents' of processes they are not able to understand? How can they 'empower' the poor when they themselves lack the necessary knowledge and skill? Consequently clients did not appreciate the basics of the methodology either. Managers' own accounts demonstrated that they also underestimated the significance of staff training, citing 'pressure' to

attend to other 'urgent' problems in the field. Loan officers here claimed that as result, they entered microfinance work with the 'wrong' perceptions.

8.7.1. Positioning Loan Officers

The positionality of a loan officer was a significant factor in policy implementation and, consequently, microfinance outcomes and development. While the literature has located loan officers as members of the microfinance institution, this research has demonstrated ambiguities in their position, between both their MFI and client group. This has implications not only for the training needs of loan officers, but the need for more responsive management itself. As Solomon (2003) found, the educational background and socio-cultural context of frontline staff (loan officers) needs to be understood in order to appreciate how they approach the lending methodology. This should be augmented by training that is sensitive to the nature of their work but can also challenge and ultimately change their knowledge.

Responsiveness also means creating spaces to enable them to work through operational problems. For example, at CETZAM, while loan officers were expected to attend all weekly Trust Bank meetings, as well as provide training, loan officers privately curtailed their daily activities and programmes, citing the short time frame they were given to meet targets and in particular repayment targets. They claimed that this did not allow them to train clients and attend to every group (their 'cherry-picking' approach) (chapter 7). A more responsive environment would allow for a reflection on and for these difficulties to be addressed rather than concealed and, perhaps, contribute to the evolving process and practice of microfinance.

8.8. Conclusion

This discussion brings together key themes that 'tell a story' about how microfinance works from the actors' own perspectives at the grassroots. The research aimed at explaining the variable take-up of microfinance, the role of loan officers and to develop an alternative theoretical view that incorporate interaction variables and better explains its variable development. The research specifically set itself to explore the experiences and actual role of loan officers - the 'link-pins'. It reveals that diffusion of microfinance cannot be enhanced by loan officers prioritizing their 'debt collecting' rather than the facilitative role. As a result relationships between clients and loan officers were problematic and less trusting. In particular, the emerging hierarchical relationships limited the participation of the poor and further development of microfinance at the grassroots. Furthermore, the nature of work itself was found to be relational but stressful, fragmented and characterised by challenging difficulties. Loan officers were particularly found to be ill-equipped for 'field' challenges and generally felt marginalised and compromised. Their judgments and experience of microfinance were critical in shaping clients' perceptions and performance of microfinance institutions as well.

This research therefore explains the variable take up of microfinance by an approach that incorporates feedback from the grassroots in order to inform development strategies. Other approaches neglect the role of loan officers at the point of interaction with clients, and concentrate on economic outcomes of microfinance, without connecting these to implementation. Knowledge of economic outcomes may not fully explain how microfinance occurs because this is also shaped by other factors, not least loan officers themselves. Loan officers are *de facto* 'policy makers' and implementers who effectively shape microfinance practice. Therefore microfinance might not succeed without appropriate loan officers/client collaboration and mutual accountability is integral to both 'empowerment' and poverty-reduction.

The next chapter, which forms the conclusion for this research, summarizes the major research findings, based on the initial research questions. It also provides key learning points for microfinance in emerging areas and makes suggestions for further implication for microfinance development policy and practice.

Chapter Nine

Conclusion

9.1 Introduction

This research has attempted to disclose the role played by loan officers in a group-based lending methodology and diffusion of microfinance in Zambia. In addressing this issue it has first examined the loan officers' motives for doing development work, and their interface with clients. It was originally argued that in order to understand the international transferability of microfinance, it was necessary to take a more bottom-up perspective from the grassroots, where loan officers were 'link-pins'.

This chapter is divided into three sections. The first summarizes and reviews the main findings to highlight specific results and develop understanding of microfinance with particular reference to Zambia. The subsequent section highlights three central issues and presents the implications of this research for further microfinance development and practice. Finally, it discusses areas for further research.

9.2 Review of Key Findings

The process of diffusion of microfinance is a central theme. It was found that loan officers had multiple, ambiguous and fast-changing roles at this time. Work was characterised by the particular problems of seeking to satisfy mixed expectations of clients and MFI management. Their ambiguous position between management and client groups generated some cognitive dissonance and competing expectations, which inevitably affected how they then acted. Loan officers' regard for their work was found to be influenced by their pre-

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entry socialization, initial orientation and subsequent experiences. Additional pressure for institutional sustainability and commercialisation was changing relationships and the original character of microfinance itself. The general conclusion is that it is not only the prior policy and administrative design of microfinance programmes which primarily defined and shaped its actual take-up, but also local particularities, and the role played by loan officers as well.

9.2.1 Competing Judgments

Institutional microfinance started not as if it was 'business', but as a means of alleviating poverty and helping poor people to create sustainable livelihoods for themselves. Judgments about microfinance in Zambia have been influenced by political and historical factors and the strong role which non-governmental social development organisations (NGOs) have played in promoting it. As social development organisations, they have been judged to be donor driven organisations with essentially charitable goals (see chapter 3). This initially created an 'us' versus 'them' attitude among MFI clients and also loan officers as well, as if to justify taking from 'them', the donors (represented by MFIs or NGOs), for the material betterment of 'us', the poor. Poverty alleviation or 'helping' the poor was/is not necessarily synonymous with regarding this as a 'business' transaction. This problem was exacerbated because early knowledge of microfinance within SSA was primarily imported from South Asia and was not locally 'owned' here. This impacted on the development of microfinance in the sense that actors' knowledge was variable from the outset. Consequently, microfinance institutions had not hitherto been marketed or managed as if they were 'commercial' organizations. As service deliverers loan officers had been sympathetic in approach, while poor clients assumed that MFIs had an 'obligation' to help them. This has meant slower client take-up, as client groups have disintegrated due to non-repayment of loans, and consequently turned loan officers more into 'debt collectors' than facilitators. A key finding was that this increasing conversion of loan officers into debt collectors not only reduced their

social status (see chapter 5) but also stigmatized them in a society with declared "Christian" ethics.

9.2.2. Practice Development

It was found that loan officers were absorbing members' and leaders' roles as if those groups were not as self managing as they expected. Money collection had become the loan officer's key role (in line with MFI sustainability demands) and increasingly displaced other roles such as group capacity building and marketing of MFI's services. The group methodology stipulated that group members and leaders were responsible for collecting repayments, but it was found that loan officers were not just facilitators, but *active* debt collectors. In effect, some role displacement was taking place, and this could threaten the further development of microfinance in future. It was not expected to find loan officers performing the 'debt' role with such intensity, since previous research had presented them as facilitators, in line with formal policy.

As diffusion of microfinance is its overarching theme, this research has found that loan officers were not necessarily empowered to do other 'proper' microfinance work because of growing emphasis on institutional sustainability, which in effect marginalised other activities that could contribute towards client group sustainability. The current practice of microfinance in Zambia may thus risk transforming loan officers into 'loan repayment agents' as opposed to 'development workers' (Goetz, 2001) or 'enablers' of growth. This raises the question: can microfinance institutions in SSA achieve long term sustainability given such restricted client interaction, where loan officers may increasingly become 'loan collection' agents above all? Debt collection was not synonymous with 'development from below' and cannot be as 'empowering' as microfinance was originally intended to be. If not addressed, it could undermine the base of customer loyalty, trust and also slow down new client solicitation as well.

Also the practice of microfinance has demonstrated a limited trust and forbearance among actors which could be taken as one of the major limitations upon the development of microfinance in Zambia. In particular, where relations amongst clients and with MFIs (represented by loan officers), were characterised by mutual distrust, this could discourage potential clients planning to access financial services from MFIs. Along similar lines, Green et al., (2006) and Takyi-Asiedu (1993) found that most entrepreneurs in sub-Saharan Africa eschewed networks and sought autonomy because of the distrust they had for other cooperative members. However without trust, true reflection and further learning amongst MFI staff cannot take place. This hindered improvements to practice, especially where loan officers' tacit knowledge became devalued, or was treated with suspicion.

9.3. Relationships and Unintended Consequences

The research found a strong inclination to building ties with loan officers (similar to what Woolcock (1998) labels as "bridging" social capital, or "linkage") instead of intra-group ties ("bonding" social capital or "integration"). But group-based microfinance is intended to thrive upon integration at a group or community level than the linkage[103]. Rankin (2006) observes that '"solidarity" groups are expected to mobilize existing networks, trust and norms of reciprocity in order to perform' (p.103), with loan officers as facilitators of the process. However, as the research has clearly shown, group organization and loan officers' practice militated against this. Clients expected relationships in which they had more social closeness to, and also familiarity with, the loan officer rather than their fellow group members (see chapter 8). This finding challenges how the organization and management of client groups is usually

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[103] Individual lending methodology as used by some MFIs may not require high levels of "bonding" social capital because individual borrowers' ability to access future loans is not dependent on the performance of other group members. In this case, there will be need to work on the "bridging" social capital with loan officers. For the "downside" of social capital see Portes and Landolt, 1996; Mayoux, 2001. This study focused on group methodology.

presented in the self-management literature. In effect, it means that the actual practice of microfinance as found here could undermine the very basis of group-lending: social collateral and strong horizontal relations amongst members and shifting emphasis towards vertical hierarchical relations with loan officers. If, as was claimed by the World Bank (2001), that social capital is a key ingredient for development, and that social cohesion is critical for societies to prosper economically and development to be sustainable, then the group-based methodology (outside South Asia) in urban SSA and Zambia needs re-thinking. In light of the existing hierarchical relationships and weak bonding, one might question whether solidarity groups could be sustainable configurations for future urban microfinance, given that urbanisation is a growing phenomenon in Africa, along with urban poverty (Mukama, et al., 2005; Solomon, 2003). This is where this research contributes to a well acknowledged criticism concerning global development institutions like the World Bank, IMF and others which have long sought to address poverty issues in developing countries with a standardized "one size fits all" approach (Bond, 2006; Kirkpatrick, 2005) which fails to take into account the importance of context-specificity for development. The current global promotion of microfinance and insistence on applying standardized lending techniques attest to this.

9.4. Mission Drift or Hybrid Form?

There was evidence to suggest that the practice of microfinance in Zambia and elsewhere is still evolving. Globally, the more orthodox banking practices now being introduced in microfinance would claim to make it more sustainable and profitable. Loan officers and some senior managers were in this case concerned that such 'commercialization' could have negative social impact or else result in progressive "mission drift"[104]. In actuality, loan officers indicated that their

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[104] "Mission drift" refers to a shift in the composition of new clients, or a re-orientation from poorer to wealthier clients among existing clients (Cull et al., 2006, p.23). This drift is more of a concern for socially-driven microfinance NGOs or MFIs. And so it was for CETZAM.

organizations were now targeting what they called the "working poor"[105]. This change could be a strong pointer to the possibility that inclusive microfinance is now reverting back to more orthodox banking (Koveos and Randhawa, 2004; Montgomery and Weiss, 2006) which raises important issues of accountability and governance, and questions whether its initial poverty reduction objectives will be displaced by institutional viability requirements. This does not mean that accountability is not an issue, but it does suggest that the particular reporting demands of donors (Ebrahim, 2005; Dixon, et al., 2006; Hillhorst, 2003; Porter, 2003) may inevitably result in loan officers spending more time away compiling reports rather than directly interacting with clients. Taking this path may veer from the original focus of microfinance, but dovetails with the 'survival' argument that prioritizes repayments and meeting of targets. While this may prioritize limited donor funds, it could also restrict microfinance to one particular category of clients (the most literate and less poor). Alternatively, from the 'development' standpoint, microfinance might then survive, but could produce a mix of contradictory elements, themselves vertically controlled with the unintended outcomes that it may not then reach all the intended poor.

9.5. Transferring and Developing Microfinance: Is Africa Different?

Given the argument that group-based microfinance is ideally 'participatory', 'empowering', 'bottom-up', 'relational' and based on 'solidarity', is effective microfinance therefore contingent upon meeting other conditions as well? This raised the question: does Africa present different conditions from elsewhere, and how do these enable or restrict its further development. Is Africa different from other regions when it comes to implementing microfinance? These questions created a need to explain the variable take-up of microfinance in SSA from the perspective of the actors concerned.

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[105] By the "working poor", they were referring to salaried workers such as nurses, teachers and other civil servants. Also salary guaranteed loans (SGLS) have been introduced and these need no interaction with loan officers- the employer mediates by making payments to the MFI. Initially, MFIs concentrated on women-the marketeers. Microcredit was synonymous with being a marketeer, with connotations of running very small businesses in open markets and by roadsides.

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According to Hofstede (1980a, 1991), management is partially culture-dependent. Theories or models developed within a given culture reflect the main patterns of that culture (Beugre and Offodile, 2001). They may therefore not be easily transferable to different cultures and, in this case, the African culture. As Granovetter (1985) argued, the values, beliefs, attitudes and behaviours which employees *and clients* bring into the organization are shaped by those that prevail across society at large. While SSA is not a unified region its peoples are of diverse and differing cultures both among themselves and with outsiders. Even within the same nation state, differences can be substantial. Despite this intranational diversity, certain common cultural patterns do emerge which characterize (though not exhaustively) most African countries. Beugre and Offodile for example identify these as: respect for elders, the importance of the extended family, collectivism and deference to power and authority (p. 537). Blunt and Jones (1992) also considered these important for understanding management practices in sub-Saharan Africa. Of particular interest to the findings of this research is the importance of the extended family.

Previous studies have not fully examined group dynamics in SSA in light of this cultural value of the extended family. It is relevant because of its potential to give insights into the nature of relationships (intra-group relations, loan officer-client interaction), group formation and subsequent management thereof. The extended family is deeply entrenched in the Zambian culture (Ferguson, 1999) and much of the rest of SSA (Ackers and Khan, 2004; Nzelibe, 1986)[106]. As such, those working are required to provide the social and financial needs of their relatives (Takyi-Asiedu, 1993). Consequently, an obligation to relatives may raise questions about nepotism and /or favouritism, but helping one's relative for a job or (as the present case) access to financial services (even when they do not qualify) is also considered a moral obligation and 'normal' conduct.

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[106] The present African family in the urban areas and communities cannot however be said to be closely knit as technological development, migration, and other social and economic factors have torn family units apart. But still an average Zambian remains committed to the extended family clan.

Alternatively, this aspect of 'helping' could also be the consequence of the 'circumstance'. For instance, the absence of socio-economic 'safety nets' of Western countries and the prevalence of HIV/AIDS exacerbates the practice on the part of those (be it clients or loan officers) who are left to look after an extended family of orphans, unemployed and/or the sick. This cultural value (though useful) could challenge the group methodology rule: personal relatives are not supposed to be in any group where social sanctions are to be applied. Conversely loan officers bring their own relatives, friends and neighbours into groups (as a way of helping) even if they then find it difficult to discipline and manage in face of default.

Therefore, while African culture has been collectivist in nature (Hofstede, 1991) and its communal orientation a potentially useful (Acker and Khan, 2004) aspect of helping one's relatives, tribesman, and neighbours, it can also work against the kind of group formation, operation and sustainability that microfinance was intended for. This creates dissonance between institutional expectations of groups and client's desire to maintain 'community' harmony and 'a culture of care'. What this research has explicitly shown is that while the collectivist nature of the African culture may initially help to boost client numbers for MFIs, it may not subsequently sustain the group lending methodology unless it is better adapted to differing local specific socio-cultural contexts (Siu and Kirby, 1995). For instance, the assumption that social pressure enforces group repayments (and not loan officers) may not yield the intended results in times of default where it sets relatives against relatives, or neighbours against neighbours (and this includes loan officers as well, who may not pursue some defaulting clients because of the similar cultural expectations)[107].

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[107] The obligation to help relatives is not just restricted to clients and loan officers, but may extend to recruitment of loan officers and other staff, career progression and discipline. Ackers and Khan (2004; 1332) find this to be a general tendency in HRM in sub-Saharan Africa. Bastelaer and Leathers (2006) in Southern Zambia, found that membership in the same church for instance, was inversely correlated with repayment performance due to strong bonds among members of the same church –therefore restricting mutual enforcement discipline.

9.6. Contribution of the Research

This research had the task of increasing knowledge and understanding of how microfinance works, transfers and translates elsewhere with particular reference to Zambia and sub-Saharan Africa. By exploring microfinance in action at the grassroots, it has resituated the discussion about the variable take up of microfinance in Zambia, and similar places, outside the original domain of South Asia, and also beyond the dominant economic evaluation paradigm.

The case study is among the first in SSA that reveals the actual working of microfinance at the grassroots. It was based on an understanding that takes into account different interaction variables in explaining observed actions. It argued that the design – development model, which represents the conventional approach, does not explicitly recognize the socially constructed nature of microfinance work and the diverse interpretations of it. Microfinance is necessarily relational, and loan officers mediate these relationships, working with own peers, superiors, clients and communities. The actors involved however, see the process from varying perspectives (as in chapter 5, 6 and 7), which are not necessarily complementary or unambiguous. The lack of previous research in SSA, and in particular, Zambia, makes this a pathfinding study, both with respect to increasing knowledge and for wider comparative purposes. Furthermore, while others have focused on lending technologies, institutional types and impacts on clients, this research has focused specifically on loan officers. This is important for two reasons. First, they facilitate the process of microfinance; and second it permits access to the actual work of microfinance. However, this is not to say that diffusion of microfinance and its sustainability is wholly dependent on loan officers' intensive involvement. Clients' active participation, team work and organisation's systems all make a difference as well.

This research also seeks to advance knowledge by linking the concept of emotional labour to the work of field workers at the grassroots. Emotional

labour is a large part of what loan officers do at the point of interaction with the poor. They are expected to be 'enablers' of growth and facilitate the process of 'empowerment' of the poor. To do that calls for daily exposure to the realities of the poor and poverty (which their managers may not often directly see), which at times create acute moral dilemmas for loan officers who may at times be 'victims' of the poverty they are otherwise seeking to address. How can loan officers be expected to interact with clients in a detached, emotionless manner in despairing environments like the SSA, which are also confronted with the HIV/AIDS pandemic? How do loan officers manage emerging emotions, tensions and conflicts as they prioritize MFIs' sustainability rather than clients'? Unless microfinance can revert to the formal banking orthodoxy that eschews close and direct interactions with clients, loan officers will continue to informally adapt MFIs policies to fit the 'field' realities as they find them.

Thirdly, by focusing on SSA region, where microfinance is still emerging and under researched relative to South Asia and Latin America, the research has emphasized other issues that account for the diffusion of microfinance. For example, success in microfinance has been presumed to rest on the global diffusion of concepts and measured results rather than how best to manage the intervening process of making it work. As such many MFIs in frontier areas such as SSA encounter unexpected blockages in their efforts to expand client outreach. The importance of this research therefore needs to be seen in light of the growing global recognition that microfinance has the potential to be an effective strategy in poverty alleviation (Commission for Africa, 2005; World Bank, 2005). But this can only happen if microfinance moves from its initial promising start to sustainable large scale operation across many different countries. Nowhere is the research into the diffusion of microfinance more required than in SSA where general levels of financial exclusion are high and poverty rates the highest (as discussed in chapter 1 and Table 1.1). Meanwhile MFIs struggle with implementation issues making the potential of microfinance more difficult to realize. These findings have therefore raised the question: if

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microfinance is organised thus (as in chapter 6, 7 and 8), can it really ever facilitate poverty reduction through active economic citizenship on the kind of scale envisioned by for example, the United Nations, the World Bank and the Commission for Africa Report, 2005?

Fourthly, the research contributes to the limited literature on NGO accountability by suggesting that use of an accountability framework would provide further insights into the actual practice of microfinance. For instance sponsors of microfinance institutions and other developmental NGOs call for greater accountability as if it were a 'cure all' solution for its many different problems. Notwithstanding the importance of institutionalised accountability, this research has shown that certain accountabilities can become counterproductive, so microfinance reverts back towards orthodox banking by excluding precisely the very poor it was originally intended to serve. Group-based microfinance is based on trust amongst group members and in turn with the lending institution. Therefore reciprocated accountability should reinforce trusting relationships, and increase their cohesion. Resistance to mutual accountability at the grassroots may signify a fundamental shift in the practice and orientation of microfinance. In addition, the research has suggested that loan officers are the 'link-pins' for any type of accountability, but have not been trained to facilitate it. Loan officers are central because of their "buffer" position. This means that where commercialisation and sustainability of microfinance institutions dominates so will the pressure on loan officers to manage client groups in such a way as to prioritize and meet hierarchical accountability demands. The question therefore remains: are the demands for greater accountability 'constraining' or 'enabling' solidarity–based microfinance? Will increased demands for accountability (especially towards donors) enable loan officers to reflect on their practice and move closer to their clients or is it likely to 'lock' them into 'audit' reports and detailed administrative 'paper work'? The World Development Report (2004) - 'making services work for the poor' and the Africa Commission Report (2005) each

make links between poverty reduction and (social) accountability explicit, on the assumption that the poor are able to participate directly or indirectly in exacting accountability and can themselves hold bureaucrats (even 'street-level' bureaucrats like loan officers) accountable. In light of the CETZAM case, development workers at the 'sharp-end' (Jackson, 1997) are facilitators of such participation and accountability at the grassroots. This research would direct attention to how changes in accountability relationships and practices are considered to be part of the mobilizing configuration of factors capable of encouraging 'local' participation in the development of microfinance.

In spite of its limitations discussed in chapter 4, this study has the potential to make contributions to knowledge primarily because it traversed uncharted territory – sub-Saharan Africa and in particular, Zambia. This is the first study to focus on the role of loan officers in the diffusion of microfinance in Africa. By doing so, this research has contributed to knowledge about how microfinance translates across different regions. The strength of this study therefore is that it has shed light on how microfinance actually works at the grassroots.

9.7 Further Implications for Microfinance Development Policy and Practice

This research has argued that microfinance can either be constrained or enabled by what loan officers *actually* do in the field with clients. Equally important is how they prioritise their roles against the different and also competing demands from institutions and clients. The findings are not merely interesting from a theoretical vantage-point; they are also highly policy-relevant.

First, they suggest that diffusion of microfinance cannot be achieved by simply transferring lending models and 'best practices' to other emerging areas such as Zambia. Although this practice as Porter (2003) suggests, can be linked to donor

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calls for generic findings about 'best practice', sub-Saharan Africa could be different in terms of its political system and culture. These cultural differences therefore can pose difficult problems for group-based methodologies which have been successful elsewhere. In Ghana, for instance, the application of Asian models has been identified as a factor which actually undermines local potential for change (Porter, 2003). Policy makers and microfinance practitioners need to identify, understand and plan for these significant differences.

Second, it is critical to note the role played by loan officers or field workers in developmental work if efforts to 'empower' the poor are to be more effective. Loan officers' knowledge is often highly tacit and management may focus more on the tacit dimension of 'local' knowledge to accelerate client take-up and development. Also, because microfinance attempts to address poverty and works with deprived marginalised people, loan officers who directly personally witness "live" sufferings of the poor, face deeper, often moral, conflicts which they cannot easily resolve. As a matter of policy, MFIs' managers need to appreciate and respond to the actual work of loan officers themselves. Reliance solely on detached input–output models and externally developed/sanctioned 'best practices' which do not take grassroots realities into account risks neglecting important variables which explain how microfinance actually works. Like other previous poverty alleviation interventions in the developing world, microfinance programs in SSA could yet fail to build suitable local and durable self-reliance (Burkey, 1993). Loan officers are expected to play a pivotal role in facilitating such participation.

Notwithstanding the importance of external resources (donors) into microfinance institutions or well formulated designs and policies, microfinance is to a great extent about *what* gets done and *how*, at the interface with clients and the local community. The loan officer is a key figure of the lending process (Isaia, 2005), as he/she is the link between MFIs and the clients. He/she represents the institution among the people, so they must be empowered, trained

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and motivated to manage the process. Practitioners need further reminding that expecting loan officers to form client groups, manage them and control their performance (similar to undertaking a top-down strategy for participation (Mohan and Stokke, 2000)), may sometimes serve institution's immediate survival concerns, but not offer a sustainable approach to the goal of promoting bottom-up participation and empowerment. Diffusion of microfinance is constrained if the loan officers who are the 'link-pins' continue to work in the "survival mode"-i.e. working to sustain institutions and own livelihoods than for clients'.

Third, the study has policy transfer implications. Exactly because there are no two equal settings the transfer of microfinance lending models from one country or context to another can still be highly problematic. For instance, the cultural settings in South Asia and sub-Saharan Africa are different, which may then affect how relationships are constructed within groups, between loan officers and clients, and also whether both female or male loan officers are particularly suitable for grassroots developmental work. How microfinance is best practiced and diffused can therefore be context dependent. This being the case, the process of microfinance is neither fully transferable nor imposable; it also needs to evolve and develop its own local fitting 'best practices'. This questions any universally standardized 'blueprint' or a 'one-size-fits-all' approach to development. An important general lesson of microfinance experience is the need for policy and practice to be based on a careful consideration of country conditions and differences as well as diversity in institutional organization.

9.8 Future Research Agenda

With so little research about the actual organisation and diffusion of microfinance, there are other possibilities for future research. Microfinance in sub-Saharan Africa is an emerging research site. Future research may consider using an accountability framework to investigate group dynamics and the work

of loan officers at the interface with clients. What type of accountability facilitates or disables self-management and collective action within client groups? Do current calls for accountability take into account the diversity of microfinance institutions and its distinct character? This could provide alternative but useful insights in enriching our understanding of microfinance in action. This is important if microfinance is to make further advances into making the socially marginalised become more active economic citizens and give them a 'voice' in making their way out of poverty. Moreover, accountability has taken centre-stage in development work and in particular, within the NGO sector and not-for profit institutions (Dixon. et al., 2006; Goetz and Jenkins, 2005; Unerman and O' Dwyer, 2005) as a way for accounting for better development outcomes. Accountability is an issue in Africa now and the future as microfinance is likely to become more significant as an inclusive tool for reducing poverty levels. Further research on this issue will add depth to knowledge.

From a more methodological perspective, the limitations of time and financial resources led to the exclusion of detailed study of CETZAM and PRIDE Zambia branches outside Copperbelt, as well as other MFIs. The excluded branches are not mining towns like the five explored here and it would therefore be valuable to see how microfinance process compares. The Copperbelt is known to have enjoyed the "social thick" (Ferguson, 2006) policies of the Zambia consolidated copper mines (now privatised as separate units) which originally promoted a 'culture' of dependence on the mines for livelihoods. ZCCM subsidized all basic services to employees and also provided credit for consumption purposes. It is questionable whether MFI clients in the non-mining towns share this same dependency characteristic or whether they manage themselves more independently. Similarly an examination of institutions based in Lusaka – the capital, and those with branches in rural provinces would also provide useful comparator data with Copperbelt. The case of Lusaka is of interest because of its economic vitality and more varied social structure. There

are also queries about whether the level of urbanisation has significant bearing on microfinance development. Such a comprehensive study would shed light on group dynamics and the suitability of the group lending methodology to the local context.

A third direction for future research emanates from the fact that the study employed a micro perspective approach. Other major factors that could affect the diffusion of microfinance were not studied in depth. For example, the study focused on the 'field' and on the role of loan officers, but did not follow through into upper management. Originally, questions about how management style, for instance, affected how the loan officers implemented policy and interacted with clients were not included. Similarly, the organizational interface between loan officers and their superiors needed further exploration. Other macro related factors (economic and legal) have not been fully explored. Future research could benefit from an ethnographic approach and integrating both the macro and micro perspectives to generating further knowledge on how microfinance works.

In addition, future research could extend the study to other MFIs, to establish whether loan officers' experiences are driven by the mission of the MFI and lending methodology used. For instance, are loan officers in faith-based MFIs more likely to facilitate social intermediation, and feel more conflicted in performing their roles than in those MFIs which are not? This research could compare with Bornstein's (2003) ethnographic study of faith based development in some NGOs of Zimbabwe. There are a number of faith- based MFIs and NGOs providing credit and other financial services – CETZAM (covered in the study) and World Vision Zambia is one of them. Are they more able to conduct developmental work at the grassroots? Currently, there is little research in Zambia exploring such important issues.

Fourthly, a comparative study of Zambia and other regional countries (such as Uganda,) could provide interesting comparative data and illuminate the similarities and differences in microfinance practice. How for instance does the Zambian experience compare with other SSA countries? This would shed light on regional variances in client take-up and contribute to advancing our knowledge of what works and does not work in SSA. Such an inter-country research (directed at the loan officer-client interface) would be a worthwhile endeavour. In addition to comparative investigations, studies could be undertaken which give more 'voice' to clients' experiences in their own right. It is possible that clients might view the development of microfinance in ways that diverge from how loan officers and their managers would preferably view it.

Finally, based on this exploratory study, future research could explore the possibilities of incorporating selected organisational variables into economic based surveys. In order to capture the complicated and dynamic nature of the process of microfinance, both quantitative and qualitative analyses are required, thus underlining the need for methodological heterogeneity and multidisciplinarity.

Appendix 1: Loan Officers' Questionnaire

Durham
BUSINESS SCHOOL

Dear Respondent,

The objective of this questionnaire is to collect data that will help us to understand who you are in the organisation, how you see microcredit and what you contribute to the delivery of your organisation's services to its clients. Please note that the questionnaire is not aimed at assessing you or your work and that all information and opinion you give is confidential and will be used for academic research purposes only. You are encouraged to give your views freely and please **do not** indicate **your name** on it.

We fully understand your demanding work situation and therefore have ensured the questionnaire is short and easy to fill in. We would appreciate your voluntary participation in completing the questionnaire.

Thank you for your time.

Contact details:
Juliana N Siwale
School of Business
Copperbelt University
P.O Box 21692
Kitwe.
Zambia.
Email: Siwalejn@yahoo.co.uk

1. Your job title _____
2. Name of Microfinance institution _____
3. Name of the branch _____

1. **About Yourself**

1.1 Gender (tick box): Male ☐ Female ☐

1.2 What is your marital status?

1. Single
2. Married
3. Divorced
4. Widowed

1.3 What is your age _____?

1.4 Number of children _____

1.5 Educational background:
Please tick the highest level of your educational qualification

Grade 12 ☐

College: -Certificate level ☐
         -Diploma level ☐
(Specify type of diploma and college obtained from)

_____

_____

University graduate ☐
Other Educational Qualification ☐

(Please specify) _____

1.6 Are you undertaking further studies now? (Please state the course (s) you are studying)

_____

1.7 How long have you been employed by your current organisation? (Please state the **number** of months or years) _____

1.8 Indicate the years of work experience before joining your present employer:

1. _____ Year(s) and with which employer?

_____

2. None_____

1.9 If you have worked in another microfinance institution, government department or in business why did you leave that job?

_____

_____

1.10 Why did you originally decide to take up your present job? (Put a tick to as many as apply to you)

1. Good salary and benefits _____
2. I like this work itself _____
3. Interest in working with the poor _____
4. Want to utilize my education _____
5. Want to provide for myself _____
6. Convenience in working near home _____
7. Inspired by others _____
8. Other _____ (please specify)

_____

1.11 Have you received any training from your present employer?
Yes _____
No _____

1.12 If **Yes,** please specify the types of training?
1.
2.
3.
4.

1.13 What have you found most or least useful about the training in your present job?

_____

1.14 What additional training do you think would be relevant?
(Please explain its importance).

_____

_____

_____

2. About your organisation

2.1 What specific services does your organisation provide to clients (in order of priority/importance as seen by you)?

1.
2.
3.
4.
5.

2.2 Please specify those services your clients most need? (Please write your answers in order of priority/importance as experienced by you).

1. _____
2. _____
3. _____
4. _____
5. _____

2.3 How does your organisation identify and select people to lend money to?

2.4 Who do you believe should be the primary target for microcredit or loans given by your organisation? _____

2.5 Please explain _____

2.6 Whom do you (as an individual) prefer as clients?

Men   ☐
Women   ☐
Both   ☐

2.7 Please explain _____

_____

_____

2.8 In your opinion are there any difficulties you face in working with: (rank your opinion: For example, 1= most difficulty faced)

Poor Women
- Problems in gaining their confidence and trust
- Lack of time to attend/support meetings
-Low literacy levels
-Low self-esteem/involvement
-Other difficulties (please specify)

_____

Poor Men
 - Problems in gaining their confidence and trust
 -Lack of time to attend group meetings
 -Mobilizing them in groups
 -Low self-esteem/involvement
 -Other difficulties (please specify)

_____

2.9 From the listed activities, on average which ones take up most of your time per week? (Put them in rank order: 1=highest activity, 2=second highest etc.)

Meetings with supervisors/fellow loan officers _____
Loan disbursement _____
Paper work   _____
Getting to where clients are _____
Following up defaulters _____
Information collection about clients_____
Giving advice to clients   _____
Attending client group meetings_____

Other activities (please specify) _____

2.10 In your view, how well is information communicated in your organisation?

Very well ☐ quite well ☐ average ☐ poor ☐

2.11 What kind of support/criticism do you get from your immediate supervisor? (Please explain your answer)

_____

_____

2.12 How often do you discuss your performance with your supervisor? (Please circle as appropriate)

1. Daily
2. Weekly
3. Monthly
4. Quarterly
5. Any other- (specify)_____

2.13 Is it normal to have team meetings with other loan officers to exchange ideas and experiences?

Yes_____, how often? _____
No_____

If <u>Not</u>, why? _____

2.14 Are there any changes being planned that will affect how you serve clients in future?

_____

_____

_____

2.15 What do you find most/least challenging about your work?

Most challenging.   Least challenging.
1.   1.
2.   2.
3.   3.

2.16 What changes would you like to make to improve microfinance?

_____

_____

2.17 How secure is the job with your organisation? (Tick your response)

Very secure ☐   Quite secure ☐   Insecure ☐

Please briefly explain your response

_____

_____

Please feel free to make any other comments (in the space below) that you might have concerning your work.

_____
_____
_____
_____
_____
_____
_____

END

THANK YOU FOR YOUR TIME AND COOPERATION.

Appendix 2 Semi –structured interview questions

<u>Guide questions to Managers</u>

(Started with warm up questions. For example, asked for a <u>brief background</u> of where they had worked before the current job and <u>how long</u> they had been in that position? What was their <u>professional</u> background?)

1.   How far do you think Microfinance has come? (Where has it come from and where are we?)

2.   Briefly, what is the background to your organisation?

3.   How would you describe your organisation?

4.   How is your organisation financed?

5.   What is your definition of the target group as an organisation?

6.   What are your achievements as an institution?

7.   What is your understanding of sustainability within microfinance?

8.   In your opinion, what are the major factors affecting the sustainability of your institution?

9.   What challenges do you face?

10.   Are other Microfinance institutions different from what you just presented?

11.   Do you have best practices? (What are they? How have they evolved?)

12.   How do you see microfinance developing in future?

13.   What do you think are going to be the key management issues in future?

Guide Questions to Supervisors

1. How would you describe your job?

2. What is the role of loan/credit officers?

3. What do you look for when employing loan officers?

4. What sort of background do they come from?

5. Are there gender issues in the selection of loan officers?

6. Whom do you prefer?

7. What are the reasons for your preferences? (Ask about the trend in employing female Loan officers)

8. How do you assess the work of the loan officers?

9. What sort of training do you give to your loan officers?

10. What opportunities are there for loan officers?

11. What problems do they face in their work?

12. In your opinion, what makes a loan officer effective or ineffective?

13. If you were starting as loan officer, what would be the challenges?

14. What do you find interesting about your work?

Guide Questions for the Loan officers

How did you find yourself here? (Warm up question)

1. What does your organisation expect from you as loan officer?

2. What do clients expect from you?

3. What has been your experience in meeting these expectations?

4. What kind of activities are you occupied with on a daily basis?

5. Do you have priorities in your job as loan officer?

6. What guides the way you prioritize your work?

7. How are groups formed and managed?

8. Who are your best clients and which ones do you find hard to work with?

9. How do you build relationships with your clients?

10. Do you think gender of the loan officer matters to you and to your clients?

11. Who evaluates your performance? And what is the evaluation based upon?

12. What are the challenges of your work?

13. What changes do you anticipate in the future?

Former Loan Officers

1. When did you join the organisation?

2. What did you expect?

3. How long was your stay at the organisation you worked for?

4. How would you describe your experiences as a loan officer then?

5. Who were your best clients or borrowers and which ones did you struggle with?

6. What kind of groups did you work with and Why?

7. If you were a client, what would you be looking for in a loan officer?

8. Are there gender issues in Loan officers' selection?

9. Looking back as a former loan officer, what changes would you suggest improving for service delivery?

10. What are your impressions of microfinance in Zambia?

11. Why did you leave the organisation?

12. What did you learn?

13. How do you feel about your decision to leave?

Questions for Borrowers/Clients

1. How did you first learn about this lending institution?

2. What did you expect?

3. How was the group you belong to formed?

4. What do loan officers do?

5. What do you look for in a loan officer?

6. How do you describe your relationship with your loan officer?

7. Does gender of the loan officer make a difference? How?

8. When do loan officers help and when do they hinder the loan process?

9. How are loans decided and paid back?

10. How would you describe the group meetings you attend?

11. Do members drop out of groups?

12. Why do they drop out?

13. Would you recommend somebody else to this institution and why?

14. Do you think people are going to be asking for different services in future?

Appendix 3: The Challenges of Being a Loan Officer

It is a big challenge working as a loan officer. Experience confirms much more than can be put on paper. Facing challenges begins in the morning when you wake up; perhaps you could also have been dreaming you were on a motorbike making follow-ups to defaulting trust banks. From the start of the day this keeps the mind of the loan officer awake. The morning delinquency reports also activate the loan officer who can easily seize anything from a delinquent client.

It is not easy to manage a number of people in a trust bank. First as a loan officer you must be able to manage yourself well (in terms of your social behaviour and financially) before you can manage the group. One needs to know their strengths in order to make the best contribution to the organization. But you also need to work on your weaknesses to able to change your attitude and that of clients. In addition you need to be focused, determined, courageous and firmly committed to doing your work. A loan officer has to be a person who is patient, learning from experiences, and well reasoning to deal with mushrooming problems in the trust banks. Overall, you have to be a good public speaker. Your approach in terms of language matters most. This is because good communication links up people and builds relationships.

Even though there are a lot of things happening in the field, ensure loans are repaid, keep a close eye on arrears and manage your clients well.
Enjoy your work!!!!

Published in the internal newsletter for CETZAM-2003
Author: Loan officer-branch 3

Appendix 4 (a): Proposed Course Outline

Session	Summary Contents
1. Introductions	▪ Profile of a loan officer and responsibilities
2. Overview of MF Principles	▪ Definitions ▪ Types or organisations involved in microfinance ▪ MF Principles ▪ MF approaches ▪ Viability principles
3. MF lending Methods and clients targeting	▪ Individual and Group Lending Principles Clients Targeting Tools
4. Credit Appraisal	▪ Preliminary features in credit appraisal ▪ 5 Cs of Credit ▪ Clients screening methods. ▪ Business diagnosis techniques ▪ Techniques for determining loan terms ▪ Use of credit committees
5. Marketing & product development	▪ Marketing Ps ▪ Market Positioning ▪ Market Segmentation ▪ Product Development
6. Delinquency Management:	
6.1 Causes and Costs of Delinquency	▪ Controllable and uncontrollable causes of delinquency ▪ Costs of delinquency to an MFI ▪ Calculating the costs of delinquency
6.2 Controlling Delinquency	▪ Delinquency Prevention Measures ▪ Delinquency Management Measures ▪ Developing an institutional plan to control delinquency ▪ Controlling a delinquency crisis ▪ Loan collection methods and legal implications
6.3 Measuring Delinquency	▪ Calculating and interpreting the various loan portfolio quality ratios (i.e., arrears rate, portfolio at risk, loan loss rate and repayment rate) through the use of a case study.
7. Communication Skills & Time Management	▪ Effective communication techniques ▪ Various communication methods ▪ Barriers to effective communication ▪ Time management techniques
8. Customer Care	▪ The economics of customer loyalty ▪ Enhancing customer loyalty ▪ Measuring customer retention ▪ *Preventing customer defections*
9. Loan Officer Productivity	▪ Measuring Loan Officer productivity ▪ Enhancing loan officer productivity
10. Field work & Action Plans	▪ Participants will be divided into various groups and will interview clients on different topics covered in the workshop and make presentations

Source: AMIZ training records, June 2004

Appendix 4 (b): Types of training received

CETZAM	PRIDE Zambia
Client listening techniques*	Marketing and customer care
E-merge (computer loan tracking software)	Basic business management skills
Group lending methodology	HIV AIDS Peer Education/sensitization
Insurance scheme	Credit officer induction
Motor bike appreciation course	Branch Accounting/management Credit Management

Additional relevant training   **Aggregate Numbers**

1. Business management   5
2. Public relations   10
3. Marketing/business skills   5
4. Risk/default management   6
5. How to start a business   0
6. HIV AIDS Awareness and Counseling   2
7. Social work skills   1

* Though client listening methodologies/techniques training was offered, one loan officer claimed the job does not provide an opportunity to practice the skills. In short they have no time to listen to clients.

Source: Compiled from questionnaires and interviews with loan officers

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