

The Effectiveness of Micro Financing Rural Women in Limpopo Province of South Africa

Sebonkile Cynthia Thaba

Department of Quality and Operations Management
University of Johannesburg
Johannesburg, South Africa
Sebonkile.thaba@yahoo.com

Charles Mbohwa

Department of Quality and Operations Management
University of Johannesburg
Johannesburg, South Africa
cmbohwa@uj.ac.za

Abstract—Microfinance for decades it have been a pillar by fighting against poverty in the rural areas. Their program finances the small businesses of the rural women who are participating in the program. Currently the challenge is most of women participating in these programs do not have any operating businesses, while these women are good at paying the installments. Cooperation and coordination that these women have within the microfinance program, when attending meetings and paying back installments can be used in cooperatives enterprises. This paper suggests that the microfinance institute works together with government to help these women start cooperatives. The money that they loan from microfinance instead of being used for personal needs can be used to finance the cooperatives. This will empower these rural women; there will be creations of jobs and eradication of poverty within the rural areas.

Keywords— Rural Women, Micro Finance, Cooperatives, Empowerment.

I. INTRODUCTION

Cooperatives in the rural Limpopo in South Africa can create stable employment, increase the entrepreneurships of the woman participating in the microfinance programs and help in poverty alleviation. [1] Many business in Limpopo are informal with low skills and literacy, entrepreneurs do not have access to information due to the province having many rural areas. Majority of women in the rural of Limpopo province are participating in the microfinance programs. Most of these women do not have stable jobs; rely on subsistence production and consumption. While most of the microfinance has been operating in rural Limpopo for more than 20 years, benefiting millions of women who are low income earners, the viability of the enterprises is a major challenge.

Resources from microfinance programs are not used for productive purposes do limiting the potential impact of the microfinance programs on the live hoods of the beneficiaries. Providers of micro finance should look at mechanism to ensure that the money they give to these poor women is used for productive purposes in order to broaden the benefits on their livelihood. The rural women's payment record and

attendance of meetings within microfinance is very good. The same collaboration, coordination and cooperation can be used to help these rural women to form cooperatives. And the finance that they get from the microfinance they can then use it to finance their own cooperatives. The paper is trying to show the importance of both the cooperative and the microfinance to the rural women of Limpopo. Through their strategies and experiences rural women can be empowered and their business can be productive and profitable. [2] Limpopo Province is the five highest population rate with 10.9% out of the nine provinces [3] females outnumber males the males with 53%. The unemployment rate of women in rural Limpopo is very high. [4] The unemployment rate of women increases largely year by year. The numbers of unemployed women increase by 5.8% while of man only increase by 2.8%. The majority of women are involved in subsistence farming since they are poor and semi illiterate.

II. THE IMPORTANCE OF MICROFINANCE AND COOPERATIVES

There are several organizations that are providing microfinance facilities to rural women in Limpopo. Small Enterprises Foundation (SEF) is one of the primary microfinance institutes in Limpopo provinces. [5] The organization states that since it commenced its operations in January 1992, the program served 47,560 self-employed clients with over R57 million rand.

Microfinance and cooperatives are interventions that could alleviate poverty and improve lives of the rural women through education and entrepreneurship. Women participating in the microfinance get easy access to loans to finance their small businesses. [6] The objective of microfinance institutions is to serve poor people. The foundations of cooperative organizations are also to help alleviate poverty and help people facing difficulties. The women in the rural areas participating in microfinance can use both the microfinance and cooperatives to grow their businesses. Government could enhance the impact of community poverty alleviation interventions through effective use and coordination of cooperatives and microfinance ventures. [7] Cooperative strategy is to support co-operatives in developing their human resource capacities; understanding co-operative principles and values through the provision of technical,

collective entrepreneurship, management and co-operative education and training.

Micro finance entails the provision of easy access to small loans to poorer family to enhance their businesses. [8] Bankseta defines microfinance as a provision of formal financial services to low income household. The microfinance is one of the nonprofit organizations that assist small business that do not have access to financial assistance especially in the rural areas. [9] Small firms in developing countries continue to experience difficulties in accessing finance from formal financial institutions. Such challenges are more adverse amongst rural communities who do have met the requirements demanded by big financial institutions when securing loans.

In so many ways micro finance interventions are credited with raising poor people out of poverty by improving their livelihoods and overall living conditions. [10] Microfinance programs seek to reduce poverty by promoting unemployment and entrepreneurs as well as alleviating liquidity constraints and contribution to consumption and income smoothing. The micro finance programs in the rural areas are meant to develop the business of the rural people. Such people are far from the facilities like the large banking institutions. The loans given to the rural businesses are reasonable and affordable to the rural people. It allows the owners the opportunity to save a certain amount of money while repaying their loans own. Meaning in every payment they save a certain amount of money. Microfinance are very important to the rural people as [8] the World Bank's Global Findex shows 75% of the world's poor do not have a bank account, not only because of poverty, but also due to costs, travel distance and paperwork involved. There are many informal settlements in South Africa and the person living there owns small businesses. They are in need for the microfinance, although cooperative the government of South Africa is showing keen interest in investing in cooperatives, more could be done to ensure their efficiency effectiveness. [11] Points out those cooperatives internationally have become a buzz word around sustainable development. [7] The supports this point by stating that the Growth and Development Summit Agreement of 2003 prioritized co-operatives development as one of the drivers of economic development. South Africa could embrace the same as a strategy to merge its first and the second economy, further broadening the distribution of national economic benefits. Cooperatives are playing an important role in raising the livelihood of previously disadvantaged communities. [17] Note in their cooperative strategy that co-operatives can be instrumental in giving the poor women, youth and other marginalized members of a community a purpose and pride as a result of their financial independence and contribution to the economy of a region.

Local cooperatives have a long history in South Africa. They emerge as a social response by communities to mitigate the costs of locally experienced challenges. The cooperative are

mostly organized as stockvels¹ where the members of the communities come together to contribute money that will help during functions such as funerals, weddings and family gathering. [7] The stockvel movement emerged as an attempt by black people to create cooperatives; it also grew out of burial societies formed by African migrant laborers. Currently, this movement, referred to as the National Stokvel Association of South Africa (NSASA) constitutes a huge community of self- help locally grounded interventions. [7] The nonetheless has the potential to formally convert and register itself as a co-operative, thus becoming a strong network for co-operatives. [12] This unique African institute of stokvels was born so that more than one person could voluntarily cooperate in achieving a common goal. The same applies to the system that is used by the microfinance where the individuals has to from a group and loan the money as a group and their payment can only be accepted as a group. [5] Once clients request a loan she is required to form a group with four other people she knows and trust to become a group. This creates cooperatives rooted in a pre-existing value system located in local communities.

Key values supportive to cooperatives have a long history in the region. [13] Cooperatives are based on the values of self-help, self-reliance, self-responsibility, democracy, equality, equity and solidarity. [13] In the tradition of their founders, cooperative members believe in ethical values of trust, honesty, openness, social responsibility and caring for others. The system used by the microfinance relates to the values of the cooperatives. There is a need for the agencies, the departments and the microfinance institutes to work together to develop the cooperatives in rural Limpopo Province of South Africa by utilizing the factor of existing cultural value system. The government could enhance opportunities in the sector by supporting and building capacity on the basis of these values.

A. *Participating in the microfinance without having the stable business*

Most women in the rural areas loan money from the microfinance institutions to use for basic consumption, instead of investing the money in small viable sustainable investments to alleviate their poverty conditions. [14] Micro financing is supposed to be supporting services that would enable women to become successful entrepreneurs. The aim is to enhance their control over incomes, and subsequently their roles and status both in the household and the community. [14] Further states that studies show that this expected microfinance should fulfill its purpose [15] defines microfinance as the supply of the loans, saving and other basic financial services for the poor. For these women microfinance is not really helping the situation.

Although NGOs dominate the development sector, micro finance enterprises are more empowering than NGOs. [14]

¹ Stockvel is a term used in South Africa to refer to a social club made up of 5 to 20 people. The members contribute money to a pool to mutual benefit.

Worldwide microfinance movement, there is a higher empowering authority in form of the NGO sector; women belonging to poor families are deprived of their legitimate economic and social rights. NGOs aspire to help them retrieve these rights by empowering them through microfinance programs. The 90% women participating in the microfinance do not have their own business to run. Even though this microfinance are with a purpose of empowering this women to run their businesses while it is busy loaning them , this is not helping the situation because they do not have businesses and still they take loans.

III. RESEARCH METHODOLOGY

The study used the qualitative research mainly the interviews. Rural women who benefit from micro-finance assistance were interviewed. About 70 women in Limpopo where interviewed in one to one interview, and the interview took approximately 90 minutes. The research was conducted through questionnaire, observations, interviewed and literature review. The study took place in rural Limpopo province. There many rural areas in the five districts of Limpopo and because of being underdeveloped they are also a very high poorest people in the villages. [16] The impact on poverty reduction should be continually assessed rather than taken for granted, which tends to happen if a micro-finance intervention is covering its costs and has many low income users.

Through the research it was found that beside that women in the rural areas are not only involved in the small businesses and cooperatives but also they are engaging in Micro-finance. [15] The micro-finance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services. [15] While some studies indicate that micro-finance can play a role in the battle against poverty but it is not always the appropriate method. Together with other interventions it can be used to come with the most effective ways of alleviating poverty. So the study emphasizes that women in the rural South Africa can use the cooperatives as a vehicle to eradicate poverty buy relying on micro-finance for trainings and financial guidance and also use the micro-finance loan to run their own business effectively were they will results in the rural business being financially story, productive and profitability

IV. FINDINGS

With the analysis only 10% of the rural women who are participating in the micro-finance have their own businesses and others are involved in other cooperatives. Others are still planning to form their own business while they have been in the micro-finance for more than 5 year. Most of the women who are participating in the micro-finance and do not have their own business are mostly the once without education. Most of the members who are part of the cooperative, the money they get from the micro-finance cannot really help the cooperative as the money from the group is shared among the members.

41% of the women participating in the micro-finance, see a need to start their own cooperatives were they will be using the same system as the micro-finance to loan money to one another and not have to be paying the interests that they get when loaning from micro-finance. Most they can really see that making a micro-finance a way of living by always loaning from it is actually a loss as on their own they can have a cooperative that lend money to their personal businesses.

Level of education is laying a big role in the rural areas, according to the graph the members that are really struggling with having their own business while loaning form the micro-finance are the once with lower income hence there is a need to develop these rural women by encouraging then to attend the Adult Basic Education and Training (ABET) schools and also participate in the trainings that are given by the facilitator of the micro-finance. As a facilitator is believe it is your responsibility to ensure that all women that are participating in the micro-finance do have a business that they run or they are part of the cooperative. That the reason the study suggests that the members of cooperative must join the Micro-finance as a team and the money they loan they can use it all for the growth of the business.

Most of the people with little or no education are the once who are unemployed but again they are part of the micro-finance.

Age is also playing a big role within the micro finance businesses, some of the members are pensioners who just loan the money and pay it back with their monthly payment. It is learn that in the rural areas most of the pensioners used their money to look after the families because of the higher rate of unemployment and poverty, so having to pay a micro finance money as an installment it is really a pain of such pensioners and this is no longer eradicating poverty but is increasing the amount of poverty, is believed that the money should be loaned to the people who will have to make a profit and be able to pay back the money. It does not make any sense to see a pensioner paying a four months installment on the money that is not used for the business.

V. FINDINGS AND DISCUSSIONS

The research found out that although many women participating in the microfinance programs, most of them do not have operating business that are supposed to be financing. Because of the microfinance programs these women are able to work together in a team, their using all the values that are needed within the members of cooperatives. The following are the challenges that these women come across.

A. *Level of education*

The majority of interviewed women showed a very low level of education. All the respondents scored very lowly on education. Their level of education however allows them to read and write, it is at the level of basic literacy and numeracy. Possible micro finance institutions could incorporate issues of basic education dovetailed with skills needs to improve the participants 'skills in running cooperatives.

B. Participating in the microfinance without having an operating business

There are people who are loaning money from micro finance institutions, but without any investments. Such people use the money for day to day consumption. It was found that very few women have operating business. The money is therefore used like small loans for basic domestic consumption whose monthly installments are paid back using the social grant monthly earnings. This is extremely counterproductive as it inhibits the potential for productivity and other benefits that could be obtained from cooperatives, for example creation of more employment, poverty alleviation and production of more goods that is needed by communities.

C. Meeting requirements to access micro-finance

There are certain requirements rural women have to meet in order to form part of the microfinance beneficiaries. [5] The requirement to participate in micro-credit program is that the individual must be operating a business for at least six months. Most of the women involved in loaning from the micro finance for more than five years do not have the business. Agencies and microfinance institutes can help these women to form their own cooperative that could help these women at various levels, including those who are not involved in cooperatives to form or join existing ones. It is also not clear why those who benefit from these loans are not interested in participating in cooperatives.

There is no doubt that those who are involved in cooperatives find them very important in catering for their common economic, social, cultural needs and aspiration through a jointly owned and democratically controlled enterprise. As much as the micro finance have been a good intervention to the development of the rural areas, there is also a need to ensure they serve their purpose. Their money should therefore be strictly used to alleviate poverty and where it cannot do that other interventions can be used to also alleviate poverty. Forming cooperatives, rural woman can use their skills and experience of saving in the microfinance to run the most effective and efficient cooperatives.

D. Capacity Building, Skills and Training

There will be a need to educate these women to understand the purpose, principles and values of the cooperatives. Micro finance institutions could provide capacity building support to some of the cooperatives that are not doing well. Where cooperatives are failing, there is a need to provide some training and development to aid these women on how to run their businesses. It does not help participants to keep on taking loans while they do not get any growth or development in their cooperative ventures. There is a need for thorough training, monitoring and implementations of plans from the micro-finance institutions, on management, basic accounting and entrepreneurship so that participants can diversify their business interest. Some of the women have been participating in cooperatives for more than a decade yet their businesses show very little signs of expansion. Their ability to create new business opportunities or to expand the existing ones remains limited and constrained. However these cooperatives have the potential to employ more people, are platforms for developing

skills amongst people in the villages to broaden the benefits. There should be a point where these rural businesses can be sustainable and do more of the saving than always paying the loan that they do not get any profit from.

Since it is important for any cooperative to go through trainings to get skills and knowledge required when running a cooperative. Various approaches tailored for people with basic literacies may be integrated in business. Participants in cooperatives should go through trainings which cover such issues as financial and cooperatives management. These can be a good value chain to other types of cooperatives because they can loan other cooperatives. They will also be developed by the organization that supports the cooperatives in a form of training and then they will then develop other cooperatives in a form of training and seminars. In that manner they will be able to market themselves as well as make contacts with other cooperative.

E. Charges for Borrowing

The interest charges are too high particularly for rural women. Such money collected as interest could alternatively use to expand the collective capital base. The women are being charged a certain amount of money on getting the loans. So if the same group of woman can form a cooperative, collect a certain amount of money monthly and share it among themselves after three or four month without being charged for interest, this can assist in developing and growing these women businesses and supporting their livelihoods. They can use the money as capital to grow their small businesses and to support their family needs. Most women in rural South Africa are involved in the loan scheme where most of the interests are charged. These women can start their own scheme in form of a cooperative bank. The scheme that they take money from sometimes becomes a burden to them as they just take money in spite of imminent viability challenges to their cooperatives, and they get trapped in vicious cycle of borrowing. In the long run servicing these loans becomes a burden as the social grant money is too little. The organizations loaning money are supposed to provide training as well as discussing the business ideas and opportunities so that granting of loans is based on the potential viability of the business ideas proposed.

The micro-finance plays a very big role in getting poorer people to participate in small business. They facilitate the recruitment and attraction of youth and women into creating employment opportunities and alleviating perverting. It will be easier for the micro-finance to identify people with the same interest and they also have the opportunity to teach people skills required to run a cooperative. To make the people understand the values as well as the principles of the cooperative.

VI. RECOMMENDATIONS

The women who take part in cooperatives, and benefit from the micro finance of loans, should in the long run be wined from borrowing. They should use their savings to start their own financial cooperatives and finance their own businesses. Financial cooperative is defined by the government gazette [18] as a primary cooperative whose main objective is to

provide financial services to its members or a secondary cooperative that provide financial services to a primary cooperative. These will assist the rural women to be able to save, and as bind by the cooperative policy at that [18] Further a cooperative must set up a reserve fund wherein such cooperative must deposit at least 5% of the surplus as a reserve that is indivisible amongst its members during a financial year. The cooperative will be sustainable if such policy is followed by the members of the cooperatives.

These women can alternatively start their own cooperatives where they can work together and be more productive and profitable. As these will help to avoid all the interest charges that they pay to micro finance institutes. The interest rates that they pay they can be saved it and used it to develop their cooperatives in a form of trainings and more investment. The micro finance can be used as an agency that supports the cooperatives by monitoring the cooperatives as well as motivating the rural people to start the cooperatives with the micro finance institutions providing capital and training. [16] Alternative approaches which enable the NGO to utilize its skills in mobilizing, training and working with poor people to promote rather than to provide services should be seriously considered. As they are supporting the running of small business as well as the entrepreneurship, the micro finance can then be able to use the skills and knowledge to ensure the successful running of these cooperatives.

The micro finance institutions could conferences where they promote entrepreneurship and self-employment. They can communicate to the members of their micro finance the purpose of the micro finance. They should simplify borrowing rules, while insisting on allowing suitable people to borrow money from the micro finance institutions. To make the members aware of the effort the micro finance are taking to ensure the alleviation of poverty as well as the creating self-employment and not to loan just any person who likes debts. Since it is important for any cooperative enterprise to go through training to gain the skills and knowledge, women of the cooperate financial should attend compulsory trainings that go as far as secondary cooperatives where they will not only services the financial cooperatives but also they will be servicing the other cooperatives. These can be a good value chain to other types of cooperatives because they can loan other cooperatives. They will also be developed by the organization that supports the cooperatives in a form of training and then they will then develop other cooperatives in a form of training and seminars. In that manner they will be able to market themselves as well as make contacts to other cooperatives thus facilitating networking and information exchange.

VII. CONCLUSION

There are clearly immense opportunities for micro financed cooperative interventions in rural South Africa. Such interventions are hamper by teething challenges that require

micro finance institutions, communities and the government to proactively cooperate in making these programs so comprehensive as to address operational, developmental and management challenges in both administering the micro finance, its use and payment, as well cooperative business investment.

ACKNOWLEDGMENT

Authors would like to acknowledge both University of Johannesburg (UJ) and National Research Funds (NRF) for the financial support.

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