The Role of Rural Banking in Supporting Rural Economies in Zimbabwe

Sindiso Mpofu, Tendekayivanhu Mutambanadzo, and Tilda Sibanda

Abstract—Rural Banking is now sluggishly being integrated into the Zimbabwean financial services landscape in an effort to enhance financial inclusion. The primary objective of the research was to evaluate the role of rural banking in supporting rural economies. A descriptive survey augmented by econometric analysis targeted at women was adopted. The study revealed that rural banking plays a significant role in rural economies; the Grameen banking model is being adopted albeit to a lesser extent and women seemed to have been empowered through increase in self confidence and esteem, and their increased contribution to household funds. The research concluded that rural banking has a positive impact on rural economies through boosting household incomes. Therefore researchers recommended that the Reserve Bank of Zimbabwe should encourage more participation of social funds and social investors in the rural banking field in Zimbabwe based on the Grameen banking model.

Keywords—Financial inclusion, Grameen banking model, Rural banking, Rural economies, Zimbabwe

I. INTRODUCTION

The study was conducted in Masendu Ward 7 of Bulilima district in Plumtree. Plumtree is in Matabeleland South, one of the biggest rural provinces in Zimbabwe. Masendu ward 7 is one of the biggest wards in Bulilima District and is situated 53km north of Plumtree Town along the Plumtree-Ndolwane road. The ward consists of six villages and covers an area of 42km². Each village has approximately 480 households with an average of six people per household and a total population of about 3600 people. Livestock rearing and crop production are the main economic activities. The village has close to 800 youths that are largely unemployed.

According to both the Poverty Assessment Study Survey I and II of 1995 and 2003 respectively by [17], the province was lowly ranked in terms of both income and non-income poverty. This is besides the fact that most of the people have the opportunity to cross the border into neighbouring Botswana and South Africa to look for better economic opportunities.

The project for a rural banking facility was introduced in Masendu Ward in 2001. The area is mainly composed of unemployed and low income earning people. With the help of Non Governmental organizations (NGOs), people put money together to start up the rural banking facility. Basically, the idea was imported from Uganda where some rural banking facilities had been implemented. In the same year, some members from the Masendu facility were taken to Uganda to get a hands on experience and a better appreciation of how the system works. The members came back and started the first Ward micro lending institution called Datose, which automatically became the central starting point. To date, the facility comprises of 8 micro-lending institutions namely Vulingqondo village bank, Masendu central village bank, Lungisani village bank, Datose village bank, Musitisiye village bank, Tjokula village bank, Muzwimuse village bank and Sedzelani village bank. Their memberships range from 8 to 39 members. The members pay a joining fee, of (on average) R50.00 (US$5) and make monthly subscriptions of R30.00 (US$3). The basic principle of the rural banking is that members of a self-selected group save money, which then forms a source of loan capital from which they can borrow.

The principal purpose of rural banking is to provide savings services in communities that do not have access to formal sector financial services. When the amount of money saved by the membership meets the target set, any of them will then be able to borrow from this source and must repay the loan with interest and this allows the fund to grow. Members share profits made through the interest at the end of the financial year. Members of micro lending institutions agreed on a set of rules, or a constitution, to guide their activities. Zimbabwe has since 2008 been using a multi Currency system and most banks have since been competing for profitable markets made up of high income earners, the rural areas have been shunned in terms of banking services. To date little attention has been given to the importance of rural banking facilities such as those in Masendu Ward.

Banking facilities are a vital ingredient for the growth of modern economies. Both urban and rural communities need banking services for depositing funds, securing loans and all
other financial services. However, most banks target urban markets which have high income earners, paying less attention to the rural areas which generally have weak economies. Rural communities are left out because of low income levels, lack of collateral and other factors which make them unviable compared to the urban areas. The Rural banking concept is perceived to reverse the conventional banking concept by removing collateral requirement and creates a banking system that is based on mutual trust, strict supervision, accountability, participation and creativity. It therefore means that through this system credit can be used as an empowering agent for the poor who are kept out of the banking field because they are poor and perceived to be unbankable. Despite the marginalization, rural communities have an important role and vital contribution to the rural communities, thus the need for rural banking. It is therefore of great importance to investigate the role that rural banking plays in supporting rural economies.

The primary objective of the research was therefore to evaluate the role of rural banking in supporting rural economies. The secondary objectives were to investigate and analyze the impact of rural banking at household level such as household welfare (children education, housing and food security), household’s expenditure and household assets. To investigate the degree to which the Grameen Banking model has been adopted in Masendu micro lending institutions, to examine how women are empowered through rural banking.

II. LITERATURE REVIEW

A. Rural Economies

A rural economy encompasses transfer of goods and services activities by persons located in low population density areas, usually distant from urban centers. But there is no natural dividing line or breakpoint based on a set of characteristics to distinguish rural from urban. The changes from very remote towns to the largest city are often gradual, [3]

Reference [14] clarified that rural economy is more than agriculture; it includes forestry and fisheries production and other economic activities that take place in nonurban areas. There are at least three ways of describing the rural economy: a sectoral approach, which emphasizes the sector’s contribution to national GDP; a household income approach that includes farm and non farm activities; and a territorial approach that examines rural space more generally, in terms of population density and distance from cities.

Reference [4], tried to distinguish a rural economy by highlighting its basic characteristics as ;
1. The income levels are generally low.
2. The incomes basically come from primary production (farming, mining, forestry and fishing).
3. They have low population densities and are located a distant form major urban centers.

These distinguishing characteristics of the rural economies make the access to banking and banking services for the general rural society difficult. Most financial institutions could concentrate their business in the urban areas where they have high income, geographically concentrated customers. Costs of executing business within the rural economy are generally high and hence the shunning of the rural economy by financial institutions.

B. Adoption of the Grameen Banking Model

The Grameen Bank is a microfinance organization and community development bank started in Bangladesh that makes small loans known as microcredit or "Grameen credit" to the impoverished without requiring collateral. The name Grameen is derived from the word gram which means "rural" or "village" in the Bengali language.

The Grameen Bank developed a successful model of reaching credit to the resource poor households that are generally bypassed by government financial institutions [8]. The model is now being replicated in a large number of countries. According to reference [5] the fundamental features of the Grameen Bank model are:

1. An organizational structure that ensures that clients belong to the bottom half of the socioeconomic hierarchy.
2. A credit system that is designed to be simple and adaptable to cater to the needs of the clients.
3. A built-in savings mobilization component that enhances self-reliance and provides cover against business risks and natural calamities.
4. A self-empowerment mechanism that provides women an opportunity to assert themselves in the households and the society In addition the features of the Grameen Banking model as explained by reference [8] consist of following elements:

1. Targeting women from the low-income households as the clientele.
2. Taking the bank services to the village in place of the normal practice of asking people to come to the bank to avail of the credit facilities.
3. Organizing the prospective borrowers into groups of 5 likeminded persons with a number of Groups (5 to 8) being federated into a Center. The Center holds a meeting on a fixed day of the week which is attended by the Field Staff of the Bank to conduct the credit business.
4. Group solidarity and peer pressure are used to oversee proper utilization of the credit, which are used as the substitute for the collateral taken in normal credit programs. Group members take responsibility for repaying the loan of a defaulting member. Members are given training to ensure strict credit discipline.
5. Credit is given in small sizes with progressively higher amounts for repeat loans as members gain confidence in utilizing the previous loan. The loan is repaid within a year, in weekly installments of two percent of the loan amount, so that the repayment does not constitute a burden on the economic condition of the borrowing household.
6. Developing collective funds with compulsory weekly savings of the members and five percent of the loan amount deducted upfront, for mutual benefits of the members.

7. Using credit as an entry point for social development promoted by the institution among members with active involvement of the field staff.

Therefore this means that the objective of the Grameen system has been to promote financial independence among the poor.

C. Women empowerment and Rural Banking

According to the United Nations Fund for Women (UNIFEM), women empowerment is gaining the ability to generate choices and exercise bargaining power. One loan officer at Sinapi Aba Trust in Ghana defined empowerment as enabling each person to reach his or her God-given potential. From these definitions, empowerment therefore can be viewed as a process of realizing, creating opportunities and environments for one’s potential. Empowerment should in the end bring to the individual or group thereof self-reliance and self-respect.

Reference [2] clarified that women empowerment is concerned with developing a sense of self-worth, self-reliance and self-respect, belief in one’s ability to secure desired changes, and the right to control one’s life.

According to [16], women are alien to development, more so, in the developing countries. Their socioeconomic positions, literacy, information seeking behavior and general awareness, occupational strength, earnings and allied income possibilities, nutritional and health status, stake in the family and community decisions making process, the extent of rigor in achievement and the sense of pride, wealth and assets build-up for coping against the rainy days and, above all, generating and grooming self-protection – are the issues to ponder over while making any move to care for them. Poverty plunders the women. Their “invisible hands” are almost unaccounted for. In the family and kinship women are neglected, deprived and debarred from inherited property right. Insecurity and rudimentary capital base delimit their credit worthiness.

Thus, women empowerment looks at such socio-economic hindrances and disadvantages for the better. Empowerment tries to deal with the imbalances and backwardness. Reference [2], pointed out some important elements in the context of women empowerment; mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, freedom from domination by the family, political, and legal awareness, and involvement in political campaigning and protests.

Rural banking programs can have tremendous impact on the empowerment process if their products and services take these structures into account. It thus can be concluded that women empowerment is so broad and is not limited to economic circles only. Any endeavors to uplift women should be broad enough to cover the economic, socio-cultural, legal and political factors. It should bring a sense of self reliance, decision making, self worth and freedom.

Empowerment through microfinance is identified and measured in various dimensions: impact on decision-making, on self-confidence of women, on their status at home, on family relationships and the incidence of domestic violence, on their involvement in the community, on their political empowerment and rights [2]. Although it is difficult to measure the exact impact of access to microcredit on different dimensions – such as impact on decision-making and on self-confidence – studies have shown that MFIs indeed have a positive effect on each of these different dimensions of women’s empowerment.

For instance, an MFI institution in the Philippines (Tulay sa Pag-unlad, Inc. [TSPI]) reported a dramatic increase, from 33 to 51 per cent, in women’s role as funds managers in their households, with only 5 per cent relinquishing control of household funds management during that period [15]. Similarly, in Nepal [21] found that women participating in the MFI programme were able to make small purchases of necessary items such as groceries independently. In the context of Bangladesh, [10] found that just bringing financial resources to the households gave women an agency and a sense of the power they have within themselves.

Other studies in Bangladesh emphasized that access and economic contribution to the household indeed reduced abuse within the household [7]. It also meant scope to escape from an abusive relationship, and greater capacity to resist wife-beating and alcoholism. In Nepal, the Working Women’s Forum (WWF) found that 40.9 per cent of its members that had experienced domestic violence stopped it because of their personal empowerment, while 28.7 per cent were able to stop it through group action.

The Centre for Self-help Development (CSD) in Nepal also noticed a greater resistance to wife-beating and alcoholism among its clients [2]. In addition to providing respect within the household domain, microfinance institutions have empowered women in spaces other than the private domain, particularly in their communities. In Nepal, a significant number of women in CSD communities are perceived with respect and accepted without purdah in public spaces [21].

Similarly, in Bangladesh, women showed a good deal of empowerment in their capacity to articulate their needs and in their receptivity to new ideas[11]. More impressive was the emergence of women’s groups as a dynamic, articulate constituency [13].

Although rural banking has the ability to empower women, the connection is not straightforward or easy to make. Significant research and much anecdotal evidence suggest that this link is certainly not automatic [9],[10],[16]. Just handing money to women and giving them access to financial assets and resources creates a new set of challenges for women, thus balancing the experience of empowerment with the experience of extra burdens. Others argue more strongly that access to microcredit actually impacts women’s empowerment experience negatively by leading to a certain kind of disempowerment. Yet another set of analyses indicates that the
goals of microfinance and its empowering potential are intrinsically of conflicting natures.

In rural Bangladesh, a study conducted by [6] showed that 63 percent of the loans borrowed by women were controlled by male members of their family. Although they had no direct control on the proceeds from these loans, the women bore the burden of debts and repayments. The authors noted that the lending process often victimized women borrowers leading to disempowerment, violence, and intimidation by the lending institutions. These findings have been confirmed in many other studies see, for example,[19]. In other regions, the benefits may be just the opposite. In Sri Lanka, for instance, a study by [1] shows that microcredit has little impact on poverty, but it is playing significant role in empowering the Sri Lankan women, as the income earned by them is not controlled by their husbands. Their economic activities have earned them great respect in the eyes of their husbands.

The argument is that focusing on women’s empowerment leads to dilution of efficiency and sustainability of MFIs, and this result in reluctance to focus on women’s empowerment when designing their systems and programmers.

III. METHODOLOGY

A descriptive survey research design was adopted. It involved a onetime interaction with the members of the micro finance institution. The survey was also complemented by one on one interviews with group members. There are 8 micro lending financial institutions consisting of ±35 members in Masendu ward. All of the micro lending institutions were selected. Simple random sampling was used for ordinary members of the micro finance institutions as it had a better representation of the population as a whole. Simple random sampling also affords the population an equal chance of selection into the sample.

Interviews were also conducted with the staff members who were purposively selected. The criterion for conducting the interviews especially with some ordinary was dependent on time availability, the research expectations, the ability to comprehend the questionnaire and the level of involvement in the procedures. The statistical package for scientists (SPSS) version 16 and excel were used to analyze the raw data. Chi square tests were used to test the difference between an actual sample and another hypothetical or previously established distribution such as that which may be expected due to chance or probability. The chi-square test is used when testing what scientists call the null hypothesis, which states that there is no significant difference between the expected and observed result. The level of confidence for all analysis in this study was 95% or p<0.05. If the p value for the calculated is p > 0.05, accept the hypothesis. The deviation would be small enough that chance alone accounts for it. A limitation to the research emanated from a communication barrier where the respondents were semi literate and therefore the questionnaire had to be translated to the native language which is kalanga in this area. This was however overcome through the assistance of some staff members who were able to communicate in both languages and they would therefore aid in the interpretation.

IV. FINDINGS

A. IMPACT OF RURAL BANKING AT HOUSEHOLD LEVEL

The impact of micro lending institutions on supporting rural economies can be divided into three main domains; these are household welfare, household expenditure and household asset.

Household welfare is further divided into three domains namely; children education, housing and food security

In relation to children education 85% of the respondents, depended on funds from micro lending Institutions to take their children to school. This shows that rural banking really plays an integral role in the funding of children education. The other 15% paid for their childrens school fees using funds remittances from relatives abroad, income generating activities, their own savings, sponsorship and government.

A chi square test was done to test the impact of rural banking on education, with \( H_0 = \) participation in the program does not lead to increase in percentage of school going children and \( H_1 = \) participation in the program leads to increase in percentage of school going children. The significant value 0.024 shows that there is a strong relationship between rural banking participation and children’s education. \( \chi^2 (3, n = 40) = .024, p<.05 \).

With regards to housing 45% of the respondents got housing funds from the micro lending institutions. The other various sources of funds included: own savings, relatives and friends, income generating activities and sponsorship and these contributed 27.5%, 15%, 5%, 5% and 2% respectively. Even though rural banking has the highest score in the responses its results is still below 50% which means that it contributes to housing albeit to a lesser extent.

A chi square test was done to see the impact of rural banking on housing, with \( H_0 = \) participation in the program does not lead to increase in improvement in the housing conditions and \( H_1 = \) participation in the program leads to improvement in housing conditions. The significant value 0.972 shows that there is no association between rural banking participation and housing expenditure. \( \chi^2 (2, n = 40) = .972, p>.05 \).

These results show that in Masendu, micro lending has no impact on housing expenditures, people do not really use the micro loans for housing purposes they have got other sources. The other reason which can be used to explain why micro loans from micro lending institutions are not used for housing purposes is because they are too little hence insufficient and thus cannot be used for building material. Those who used them for housing purposes combine them with funds from other source.

In examining food security 50% of the respondents in Masendu who are members of the micro lending institutions used some of their borrowings from the rural banks to buy
food and improve their diets. 15% improved their diets by getting remittances from the diaspora, 17.5% used their own home personal savings and another 17.5% got their funds for food from doing income generating activities. The results are shown in the figure 1

![Figure 1: Sources Of Funds For Food Security](Image)

A chi square test was done to see the impact of rural banking on food security, with $H_0$: participation in the program does not lead to increase in consumption of nutritious food items and $H_1$: participation in the program leads to increase in consumption of nutritious food items. The significant value 0.047 shows that there is a strong relationship between rural banking participation and food security. $\chi^2 (2, n = 40) = .047$, $p<.05$. From the study, rural banking has a positive impact on the food security of participants households, as most of them depend on the rural banks to improve their diets.

Household expenditures include funds spent on household products, transport and funds spent in the event of sicknesses and death. The results show that 57.5% of the respondents them purchased their household products which include furniture, kitchen utensils and clothing using funds borrowed from rural banks. The remaining, 10%, 17.5% and 15% purchased their household products using funds from own home savings, remittances from the Diaspora and income generating activities respectively. Some members have funds that they keep in their homes which they do not save at their village banks; these funds are the ones that constitute home savings. Income generating activities include small scale retailing of clothes, food stuffs, agricultural produce, airtime; brick molding and poultry projects.

The research further revealed that 67.5% of the respondents got their transport funds from the village banks. The remaining 32.5% used other sources of finance which included own savings, remittances, relatives and friends and income generating activities. In the event of sickness 50% of the respondents borrowed funds from rural banks to get their loved ones to hospital. Other alternative incomes used for these expenses included own savings, remittances from relatives and friends in the Diaspora and income generating activities. A chi square test was done to see the impact of rural banking on household expenditure, with $H_0$: participation in the program does not lead to improvement in household expenditures and $H_1$: participation in the program leads to improvement in household expenditures. The significant value 0.024 revealed that there is a strong relationship between rural banking participation and covering of household expenditure. $\chi^2 (3, n = 40) = .024$, $p<.05$.

It became imperative that we investigate the source of funds. All the respondents confirmed to be running some small business enterprises. From the survey results micro lending institutions were the major sources of funds (80%) which respondents used in their businesses, other sources include own home savings (17.5%) as well as sponsorships from donors or the government (2.5%).

From the 97.5% of the respondents who borrowed funds from the village banks 94.9% experienced an improvement in their businesses. 25% had an increase in profits, 5% of the respondents managed to accumulate some assets, 17.5% had an increase in sales, 22.5% had an increase in stock. The lowest percentages for improvement were increase in customers and settlement of debt with 2.5% each. The remaining 5% did not experience any improvement in their business enterprise.

A chi square test was done to see the impact of rural banking on enterprise financial performance, with $H_0$: participation in the program does not lead to increase in profits and expansion of the enterprise and $H_1$: participation in the program leads to increase in profits and expansion of the enterprise. The significant value 0.040 shows that there is a strong relationship between participation in rural banking and enterprise financial performance. $\chi^2 (4, n = 40) = .040$, $p<.05$.

From the 97.5% respondents who borrowed money from the village banks, 82.1% used their funds to stock their businesses and cover their business expenses. 5.1% respondents used their funds to purchase assets for their business; these assets include tables and poultry equipment. The remaining 12.8% respondents used their funds for household welfare that is, purchasing household products and paying for other household
expenditures. A chi square test was done to see the impact of rural banking on enterprise resource base, with \( H_0 = \) participation in the program does not lead to increase in the major investment in the enterprise and \( H_1 = \) participation in the program leads to increase in the major investment in the enterprise. The significant value 0.004 shows that there is a strong relationship between rural banking participation and enterprise resource base. \( \chi^2 (4, n = 40) = .004, p<.05 \). Clearly most of the borrowers diligently used the funds to enhance their businesses.

### B. Degree To Which Grameen Banking Has Been Adopted

Rural banking in Masendu started when the members of micro lending institutions who initially where clubs started loaning each other money, as stressed by 27.5% of the respondents, 25% of the respondents asserted that it came about as a way of eradicating poverty, 22.5% claimed that it was an idea that they got from NGOs, whilst the other 25% of the respondents asserted that it was an idea from the community members as a form of community building. The purpose of a rural banking is, principally, to provide savings services in a community that does not have access to formal sector financial services, but when the amount of money saved by the membership is sufficient, any of them can borrow from this source and must repay the loan with interest. This allows the fund to grow.

There are 8 micro lending institutions in Masendu namely Vulingqondo, Masendu central, Lungisani, Datose, Tjokula, Musitisiye, Muzwimuse and Sedzelani, their memberships range from 8-39 members.

Each member of the institution is managed by its elected staff which includes: the Chairperson who leads democratic decision making process; Secretary who takes attendance and keeps minutes; Treasurer who handles all cash transactions and keeps the overall funds and Debt collectors who supervise projects and deals accordingly with defaulters.

The members agreed on a set of rules, or a Constitution, to guide their activities. The regulations are written in to the Associations’ Constitutions and are intended to provide authority to the Committee members and a framework for regulation and dispute resolution. The Constitution also specifies the terms and conditions of savings and lending. These institutions’ activities involve lending, retailing, fundraising and providing venture capital for small projects.

The lowest amounts loaned out by the village banks range from US$30.00 to US$200.00, whilst the highest amounts range from $205.00 to $400.00. The interest is pegged at 15% a month to individuals and 20% to other banks, Datose does not levy penalties on late interest payments but for other village banks, late interest payment attract surcharges of a further 15% a month. The principal payment is also expected after a month. 90% of respondents asserted that the length of their loan processing was more than a month, 5% had their loans processed within a month and the other 5% had their loans processed within a week.

Micro lending institutions members meet on a regular basis, at intervals that they select. This is weekly (Musitisiye), fortnightly (Muzwimuse) and monthly for the other remaining institutions. In no case, however, does a group meet less frequently than once every month. A fine is charged to those who abscond meetings and late comers.

The default rate for 6 institutions as of 17 November 2011 was 0%; only 2 institutions (Tjokula and Muzwimuse) had defaulters whose cases are still pending in court. The debt collection strategies are as follows: firstly, increase in interest rates, secondly, summons to traditional courts and collateral. All the institutions’s record their transactions in a ledger; one for the secretary and the other for the chairperson. All members for every institution are entitled to a once-off equal salary every yearend, Musitisiye pays its members in the form of groceries contributed monthly.

From these results it can be concluded that the Grameen banking methodology has been adopted in Masendu but to a lesser extent. The results are in line with the good practices stated in a study by Hans Dieter Seibel and Dolores Toress on CARD Rural Bank. They concluded that the Grameen approach has no magic formula and no best practice or unique and optimal solution that may be applied around the world in order to alleviate poverty. However, some good practices may work for a limited time under certain conditions. From these good practices Masendu micro lending institutions only follow two of those which are: high moral commitment of leaders, based on values enforced through training and peer selection and peer enforcement, precluding adverse selection and moral hazard. The complex Grameen discipline which included weekly meetings and the payment of weekly installments is not adopted in Masendu as most of the groups meet only once a month.

### C. Women Empowerment And Rural Banking

The research illuminated that most members of the micro lending institutions where women, only 3 institutions had men in their group. Tjokula had 1 male member, Mutisiye had 3 male members and Sedzelani had 5 male members. 7 institutions had their leadership made up of only women clients; and only 1 institution had a male member in its leadership structures. The reasons why women members made up the leadership team was because they are the main providers in their families, men are in the diaspora, women are more stable in the calculations and women have a better payback record.

Since all the respondents questioned where women they all managed to respond on the question on women empowerment, 70% of the respondents strongly agreed to have experienced improved self confidence because of rural banking, 70% also agreed to have experienced an increase in self esteem and 70% more also agreed to having been able to contribute to family finances. 68% of the respondents strongly agree that they were now able to attend and contribute in community meetings because of their involvement in rural banking. 63% of the members also strongly agree that because of rural banking they
are now able to make decisions on their lives and they also can make decisions on their children’s education.

In the case of literacy, only 33% of the respondents strongly agreed to have experienced an increase in their level of literacy, 13% merely agreed to the matter and 13% choose to be neutral. However 20% of the respondents strongly disagreed on the fact that they were gaining any literacy from rural banking and also 23% other participants disagreed to having experienced an increase in literacy because of rural banking.

V. CONCLUSIONS

The From the results it can be learnt that rural banking has a great impact on children education as most of the clients depend on these micro loans to pay for children education thereby increasing the literacy levels in the area. The study shows that rural banking has a great positive impact on the food security of the household thereby improving the diets of its members and their families, the community and of the whole rural economy. It also has a strong positive impact in reducing the household expenditures of the rural bank members.

The results from the research also show that rural banking has an impact on the housing purposes and household assets of its members. But the magnitude of the impact is quite small compared to the one it has on children education, while the effect is small, the direction is reassuring, it shows that rural banking does not really help with the housing finance needs and assets needs of the members as the funds are too little to purchase building material or assets.

Furthermore it can be concluded that village banks greatly provide funds for enterprise resource base and improves the financial performance of the members’ enterprises. This means that the development of rural banking has a positive impact on the rural economies especially on their enterprises.

The study established that the Grameen banking model has been adopted in Masendu although to a lesser extent, hence, increasing the commitment of leaders, based on values enforced through training and peer selection and peer performance. Masendu micro lending institutions only follow two of those which are: high moral commitment of leaders, based on values enforced through training and peer selection and peer enforcement, precluding adverse selection and moral hazard. The complex Grameen discipline which included weekly meetings and the payment of weekly installments is not adopted in Masendu as some of the banks meet only once a month.

It has been established that one of the positive contributions that rural banking make to women’s empowerment is the opportunity for women to gain experience in making decisions and leading and influencing others. If there is rotation of leadership coupled with specific training on leadership and organizational skills, it can help foster a sense of equality among the women and break down other social barriers such as caste as well as gender.

Rural banking has the potential to have a powerful impact on women’s empowerment. Although it is not always empowering for all women, most women do experience some degree of empowerment as a result. Empowerment is a complex process of change that is experienced by all individuals somewhat differently. Women need, want, and profit from credit and other financial services. Strengthening women’s financial base and economic contribution to their families and communities plays a role in empowering them.

REFERENCES