

Village Banking: A Feasible Tool for Accelerating Financial Inclusion for the Unbanked Poor Communities in Zambia

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ABSTRACT

Easy access to financial services is at the core of poverty alleviation for individual, household, community development. One of the major challenges poor communities have been facing in Zambia is lack of access to financial services due to failure to meet the conditionality's set by the formal financial sector such as collateral on borrowing and high transaction costs. The objective of this research is to assess the feasibility of village banking as a tool to accelerate financial inclusion and subsequently propose it as a strategy to reach "the hard to reach" poor communities in Zambia. The research utilised the literature on village banks as well as the interviews conducted from the key informant and participants in village banks. The literature is based on a wide range of academic literature that documents village or community banks and access to financial services by the poor. The research reveal that with a proper legal and regulatory framework village banks are capable of reaching the "hard to reach" by creating access to basic financial services to the poor communities on a sustainable basis anchoring on mutual trust, relationships, accountability, customs, values and participation. Based on these findings, it is highly recommended that more village banking groups be established and supported by the government and the regulators and used as a financial tool to accelerate financial inclusion to reach the "hard to reach poor" communities.

1. INTRODUCTION

The role of financial systems globally, is that of financial intermediation which entails the channeling of financial resources (capital) from surplus economic units to deficit economic units. According to Kitchen (1988), in developed nations with market economies, this role of financial intermediation is mainly performed by commercial banks and the capital markets. Otero (2004) added that in developing nations where these banking institutions and financial markets are still in the infant stage of development, micro finance institutions (MFI's) take up the financial intermediary role. This is largely due to the fact that the financial sector is underdeveloped to justify the existence of banks in some areas especially in the rural and peri urban areas.

The main motivation behind the formation of village banks in Zambia and other African nations is for improving social inclusion and poverty alleviation. Participation in village banking initiatives has in recent years greatly shown that it has the potential to contribute towards reduction in poverty, particularly, it empowers poor women and encourages social and economic development in poor communities. The facilitation and coordination of the provision of financial services is a vital component of poverty alleviation, community and individual development as well as harnessing the potential of the poor households.

In spite of the notable innovations in the provision of financial services in the Zambian financial sector, millions of people don't have access to the basic financial services especially those in the rural and peri-urban areas where it is more difficult and costly to extend these services by the main stream banking and micro finance institutions. Although it is important to note that progress has been made over the years in Zambia through the financial sector

development plan (FSDP1-2004-2009) and (FSDP2-2010-2015) with the help of different ongoing strategies and interventions such as National financial inclusion strategy (NFIS), Rural finance policy and strategy, national strategy on financial education and financial inclusion support framework(FISF),the supply of these financial services to the low income households in the rural and peri-urban areas in a sustainable manner has remained a challenge for most providers of these services.

Village banking activities have become a common practice for accessing financial services for majority of the poor people and business start-up and of course those who want to avoid the high transaction charges from the main stream banks and micro finance institutions (MFI's), this is in an effort to help themselves with easy access to and affordable financial services such as savings and loans facilities based on trust among themselves. From the preliminary investigations done on village banking activities around Lusaka have shown that a number of poor women and men have been able to access financial services such as savings and credit facilities with significant amounts of averaging up to K20,000 which they could not ordinarily manage to access from the main stream banking and micro finance institutions (MFI's), these finances have been invested in different business venture from which they have been able to make a profit and be able to send their children to school and still afford the basic necessities of life. Despite the many benefits that village banking groups have brought on the market and how they are managing to financially include those segments excluded by the main stream banking, it is clear they are operating without a legal, regulatory and infrastructure to provide an agreed body of best practices for guiding the design, operations and products and services to meet the demand of these excluded poor communities. Despite recent progress on financial inclusion whereby 4.8 million adults (59.3% of the adult population) were financially included as of 2015, more than 3.5 million Zambians adults (approximately 41% of the adult population) are financially excluded and more than 5 million Zambian adults (approximately 60% of adult population) don't use financial products and services from regulated providers. With the above statistics it is clear that much remains to be done to achieve the vision of universal access to and usage of a broad range of quality and affordable financial products and services as outline in the National financial inclusion strategy (NFIS 2017-2022). In achieving this vision, it is expected that all Zambians will reap the full benefits of financial inclusion: that is individuals will be able to use appropriate savings, credit, payments, insurance and investments services to manage risks, plan for the future and achieve their goals, and firms will be able to access affordable financing to facilitate innovations and firms growth and create employment.

The provision of financial services is critically lacking in the rural and peri urban areas of most Zambian communities and this hinders the development of the poor households. The major bottlenecks to lack of financial services availability in these areas could be alluded to systemic weakness of the formal financial institutions which include high transaction costs, traditional collateral requirements, and the most importantly lack of infrastructural facilities and repeated regulatory reforms. Hence fourth the research paper poses the research question; what are the factors responsible for hindering poor communities from accessing financial services in Zambia? Consequently, the research paper aims to propose a financial strategy called Village banking and how it can help accelerate financial inclusion for the unbanked poor communities in Zambia. Furthermore, the paper will help us understand how village banking initiative can help poor communities alleviate poverty and improve their living standards through the provision of low cost credit, savings, investment and insurance needs which is paramount to their development and improving of their living standards. From our preliminary investigation it has shown that very little academic research has been done on village banking across Africa, especially in Zambia, this paper will be aiming to fill up that gap with relevant literature.

2. METHODOLOGY

This write up was based on secondary and primary sources of data that documents village banking as a tool for increasing financial inclusion in the rural and peri urban areas and for primary data, the key informants and participants in village banking groups were interviewed to get the first hand data on how the village banking model is impacting the lives of the poor communities within Lusaka. The paper adopted a qualitative research method and used a desk review of findings by various studies conducted in different countries across the African continent in order to get a deeper and clear understanding of how village banking has been used to improve financial inclusion and subsequently as an agent for poverty alleviation. To do this multiple sources of data such as journals articles, books official documents newspaper articles, internet blogs were used to identify the patterns and themes and analyse commonalities or disparities and bottlenecks experienced by the poor communities from being financially included.

Statement of the problem

The National Financial Inclusion Strategy (NFIS 2017-2022) is a renewed commitment to financial inclusion in Zambia and builds on previous efforts and ongoing initiatives by the Government of Zambia. The vision for financial inclusion in Zambia is to have universal access to and usage of a broad range of quality and affordable financial products and services. In achieving this vision it is expected that all Zambians will reap the full benefit of financial inclusion. In recognising this important outcome of financial inclusion, Zambia has embarked on the development of a national policy and strategy to grow and transform the financial sector. The financial sector development policy is designed to provide a holistic approach for government to offer strategic guidance and coordinate overall financial sector development initiatives in Zambia on which the financial inclusion strategy is anchored.

Zambia's first financial sector development plan (FSDP, 2004-2009) recognised the gap in provision of financial services to the low-income households in the rural and peri urban areas as a significant challenge. The subsequent FSDP II (2010-2015) more explicitly prioritized financial inclusion as one of the three pillars. Bank of Zambia in its new strategic plan for 2016-2019 has adopted a strategic objective to increase formal financial inclusion by 16 percentage points to enhance living standards. It is important to remember that these financial sector reforms are aligned with Zambia's national development plans and Zambia's vision 2030 to become middle-income country by 2030. Zambia has also signalled its commitment to financial inclusion through its participation in international forum such as the Alliance for Financial Inclusion since its founding and in 2011 was among the first countries to sign the Maya-Declaration.

Despite significant progress in recent years, Zambia lags behind its peer comparator with only 59% of the adult population making use of formal and informal financial services, leaving 41% excluded. Further, only 38% of adult population have access to formal financial services and to add on, significant disparities in financial inclusion remain between rural and urban areas, men and women, youth and adults and small and medium enterprises (SME's) and large firms. The potential to leverage digital technologies to drive down transaction cost and expand the reach of the informal financial sector has not yet been fully realised. Limited financial capabilities of consumers, limited consumer protection mechanism, low attractiveness of financial products and lack of trust in financial institutions also constrain the ability and willingness of consumers to leverage financial products and services to meet their financial needs. Henceforth, the research question is posed: what are the issues that hinder access to financial services by the poor communities in the rural and urban areas of Zambia? Consequently, the research paper aims to propose a tool/strategy of village banking that can be used to provide low cost loans and savings for the poor communities in Zambia and eventually accelerate financial inclusion and alleviate poverty.

3. LITERATURE REVIEW

The concept of village banks was created and popularised by Muhammad Yunus of Bangladesh, the founder of Grameen Bank, who won the Nobel peace Prize for pioneering the concept of microcredit and microfinance in the 1970s.

The concept of village banking is not a new concept among the 'Zambian poor communities,' similar concepts or models have been around for some time for the same or similar purpose and the most common ones that people are familiar with are the *Chilimbas* and on a more organised scale the Co-operatives, But village banks in particular can be looked at as self-help institutions, that rotate savings and loans among its membership which are into groups of 10- 30 members each. These groups, whose members are usually women, come together to self-manage a system of micro lending, savings and mutual support. The members administer the system and guarantee loans among themselves.

Jones and Dallimore (2009) define village banks as semi-formal and self-sustaining financial institutions which create access to basic banking services to communities' village members on a sustainable basis. The provision of these services of these services is done by utilising community relationships, rules customs knowledge and resources.

Village banks (Savings group) in Zambia

Village banks in Zambia are operated as *Chilimba* in the Zambian informal financial sector. These are groups of between 3 to 5 adults who meet once a period in most cases once a month to put their saving together and give the total savings to one member of the group in one rotation and they will regroup in the next period to give another member and so on and so forth until everyone in the group have had an opportunity to receive the savings from

every member of the group. Chilimba rotational savings group have been found to be easy to operate despite their high risk this can alluded to the fact that they are easy to set up and they are not regulated, they are usually set up and operated based on members trust and moral uprightness. On a more regulated and formal platform, Village banks in Zambia are registered as financial cooperatives under Ministry of Commerce, Trade and Industry (MCTI), which are seen as a more suitable structure to support poor people in the rural areas with financial services in their farming activities.

The Government of Zambia, through the Seventh National development Plan (7NDP) has acknowledged the important role cooperatives play in National development. The 7th National development plan emphasizes the use of cooperatives as model to contribute to job creation and poverty reduction. The government through the national 7th National development plan has shown great intentions to diversify the cooperative model into sectors other than agriculture with emphasis on realigning the cooperatives to operate as business entities that can create employment and income generating activities. In an effort to achieve these ambitions, the government has since 2015 transferred all cooperative activities to Ministry of commerce trade and industry (MCTI) from Ministry of Agriculture in order to ensure that diversification from agriculture is made possible.

With this shift, the government has embarked on an exercise to revise the Cooperative Act as the first step in revamping cooperatives and enhancing the legal framework governing cooperatives in general. To achieve this, there is need for fresh empirical insights into the actual situation on the ground regarding the operations of cooperatives.

Overview of village banks (savings group) in Zambia

For many years the popular kind of savings group that Zambians have known pre and post-independence are the financial cooperatives. At a time of independence Zambia had an estimated 6 financial cooperatives registered during the colonial era. By 1976 the number of registered financial cooperatives had risen to approximately 500. The growth in financial cooperatives saw the need for the creation of a regulating body to oversee the operations of the cooperatives in the country and in 1977 the credit unions and savings association (CUSA) was born.

The role of savings group in financial inclusion

Zambia has made tremendous strides in accelerating financial inclusion in recent years with statistics showing the number of financially included adults increased from 33.7% in 2005 to 59.3% in 2015, exceeding Zambia's national target of 50% by 2013 and the new target has been set at 80% by the year 2022. (ZIPAR Policy Brief No.30-2019)

However it is interesting to note that the increase in financial inclusion has been higher in urban areas where it moved from 42% in 2009 to 70.3% in 2015 compared to the rural and peri urban areas which moved from 34.4% to 50.1%. It is also interesting to note that the force behind increased financial inclusion has mainly been driven by informal financial services such as savings groups and Chilimbas. Informal financial inclusion has increased from 22% in 2009 to 38% in 2015. For most informal financial services are more approachable accessible and offer better incentives than formal financial. Village banks are easy to set up, have no service charges except for a very small membership fee that every member is expected to pay when joining.

Village banks in Zambia are a form of informal credit unions (CU) or savings and credit cooperatives (SACCOs) providing to their members financial services mainly savings and lending at very minimal interest rates, it is very important to note that growing members money at high interest rate is not their primary goal as groups but leveraging on each other saving in the group in order to have more impact.

Having access to financial services for an individual means that he or she is able to store funds safely, invest them productively or use them when needed as a means of exchange for goods and services. Research has shown that an increased level of access to financial services is associated with economic growth and better income distribution, which overly leads to greater social cohesion and to poverty reduction. Therefore, the success of a group of people in a community seeking to improve their social and economic well-being will be influenced by their access to mainstream financial institutions that can help them have access to financial services (savings and credit).

Savings groups provide an alternative platform to mainstream banking to increase financial inclusion and must be explored and promoted by all stake holders. Until recently, the idea of savings group had more to do with cooperatives which was largely associated with agricultural activities as they have been a channel for transmitting agricultural inputs to farmers. However in recent past, we have seen a rise and a hype in some new forms of savings

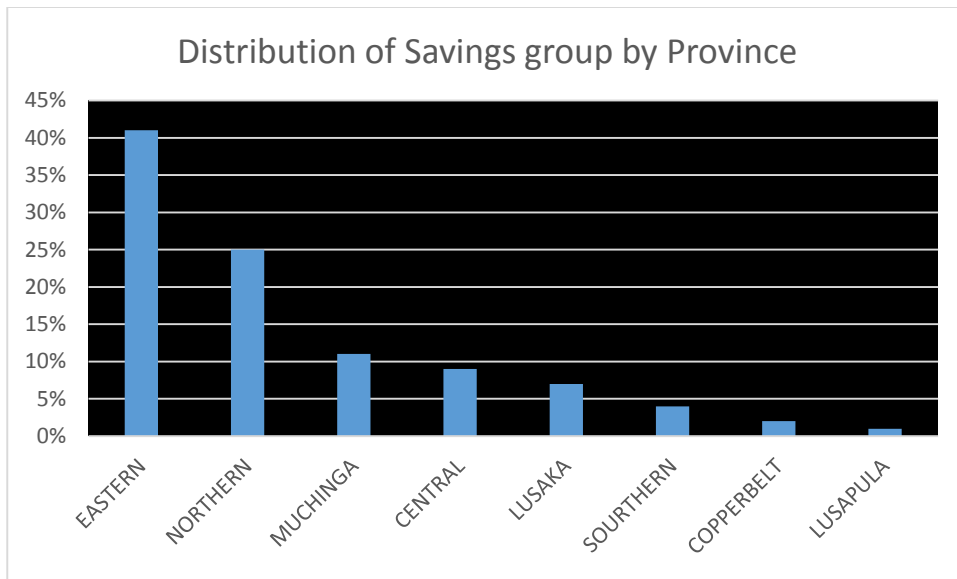
groups such as village banking which has become popular among the educated and uneducated and is being supported as a true game changer and a true alternative to the main stream banking when it comes to cost of borrowing for start-ups and households.

The existence of savings groups (Co-operatives) in Zambia

The registrar of Cooperatives estimates that there is a total number of 1,198 registered Cooperatives in Zambia with the majority being in eastern and the minority recorded in north western provinces respectively, However the research that was carried out in April 2019 by Zambia institute for policy Analysis and research (ZIPAR) which covered 8 provinces of the 10 namely Lusaka, Northern Muchinga, Luapula Central Eastern, Southern and copperbelt showed that there were a total of 728 savings groups (financial cooperatives) in the provinces mentioned above with varying sizes vis-à-vis membership and financial performance.

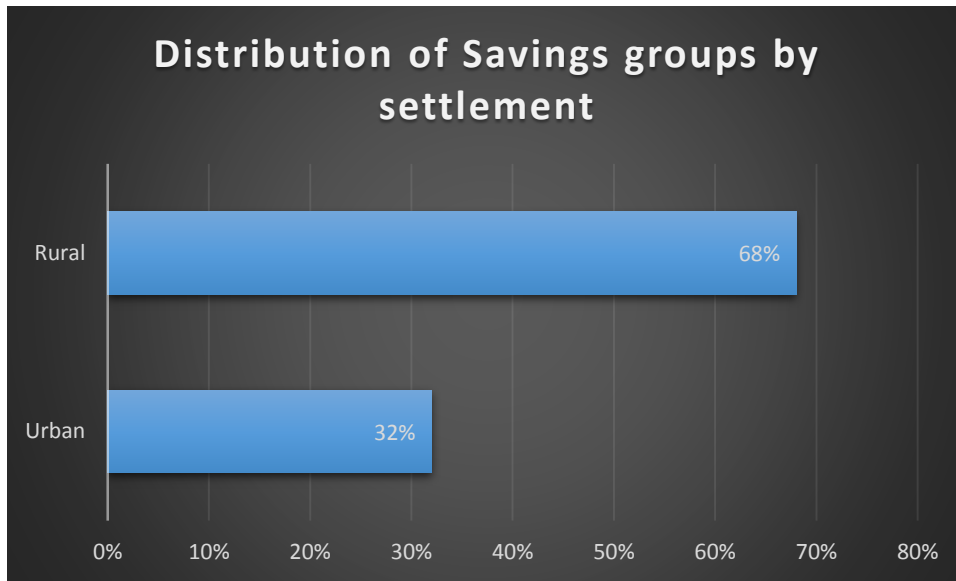
The existing savings groups (financial cooperatives) range from groups of just about 10 members to much larger groups comprising of membership of about 18,000. Among the bigger ones some of the some of them are actually operating some form of a bank managed by a manager, accountant and cashier/teller. This provides evidence that a savings group with proper management and surely grow into a successful financial institution.

Distribution of Savings groups (financial cooperatives) by province



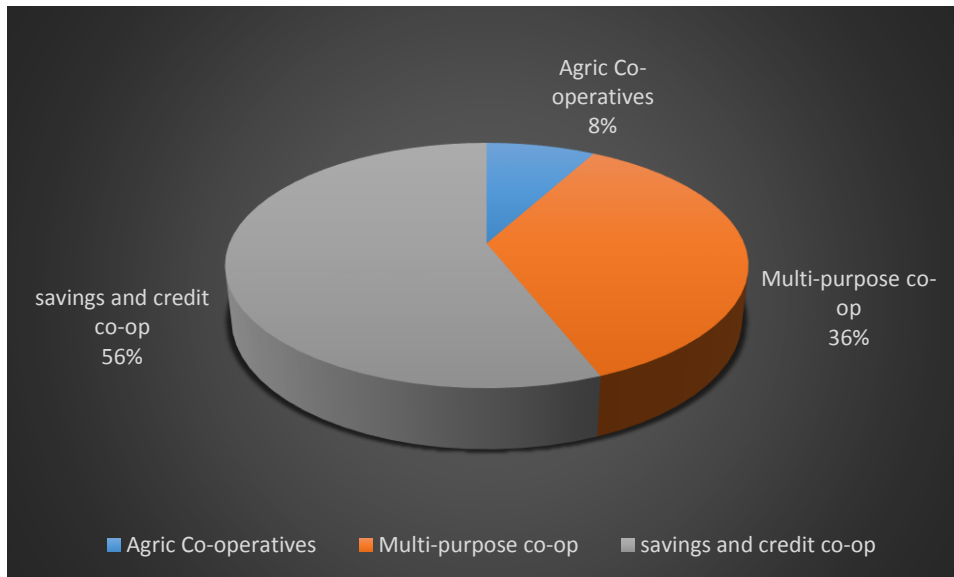
The research findings established that Eastern province accounts for the largest population of Savings groups in the eight provinces with an estimated 298 savings groups compared to the 7 in Luapula provinces. This is in agreement with the Registrar of Cooperatives database. The number of savings groups in Eastern province has been attributed to Non-governmental organisation (NGO) support to promote savings group in the area prior to the Census.

Distribution of savings groups (financial cooperatives) by settlement



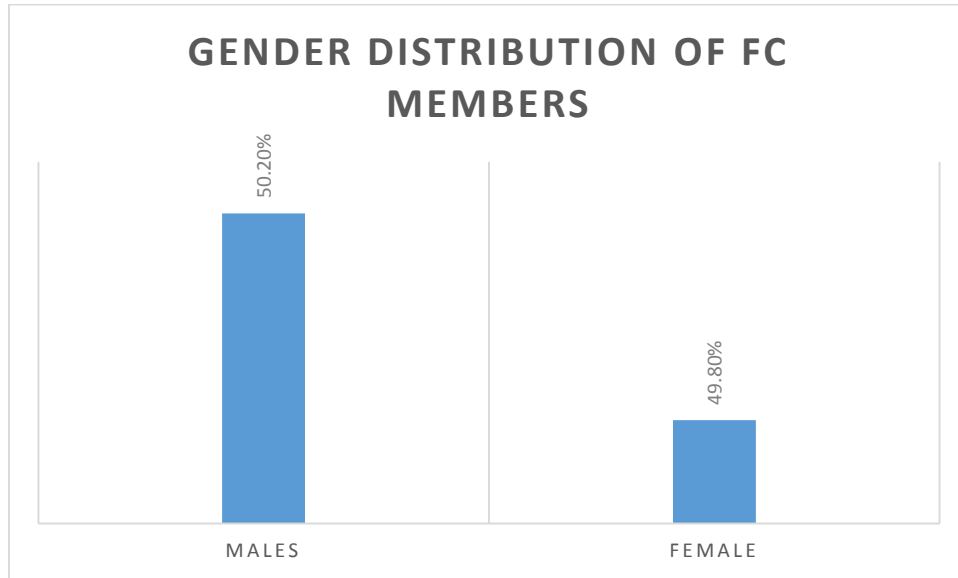
The research findings show that there are more savings groups (financial Cooperatives) in the rural areas compared to urban area. This could be attributed to the fact that saving groups (village banks), provide an easier, convenient and sometime the only source of financial services for individual and households in those areas because.

Distribution of savings group by registration

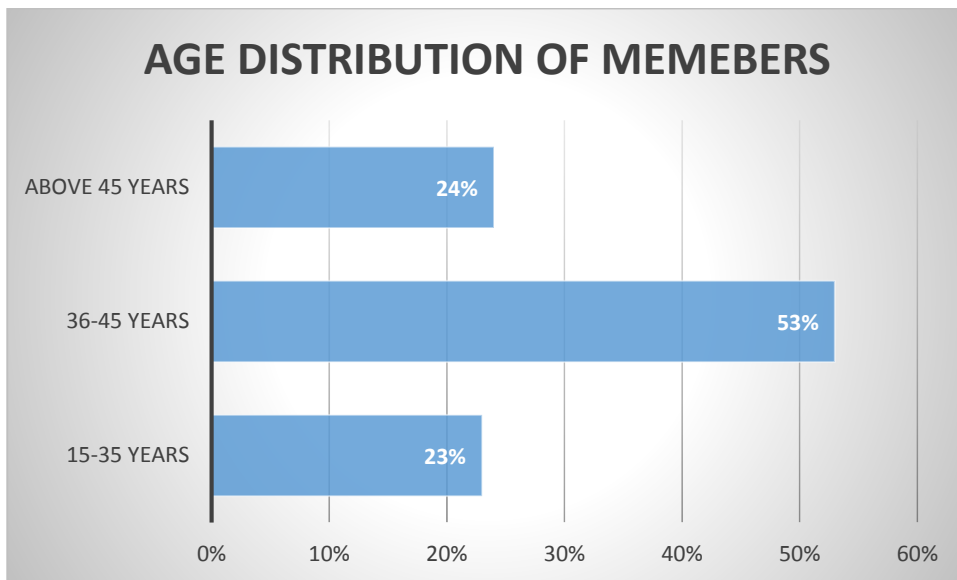


The research findings have shown that traditionally, savings groups are registered as Savings and Credit cooperatives (SACCOs) but there are also other groups that promote and undertake savings and credit activities as the main activity and these have been accepted as savings groups (financial cooperatives) and have been registered with the registrar of cooperatives. The search has further shown that of all registered savings groups Savings and Credit Cooperatives account for 86%, 36% for the multi-purpose cooperatives while 8% for the Agricultural cooperatives that had savings and credit as the main stay of their operations. Among the reasons for this happening is the lack of knowledge among member of the financial cooperatives when it comes to registration and differences in registration requirements as other cooperatives have less stringent requirements compared to financial cooperatives and reason the researcher picked up is that it's cheaper to register financial cooperatives to ordinary cooperatives.

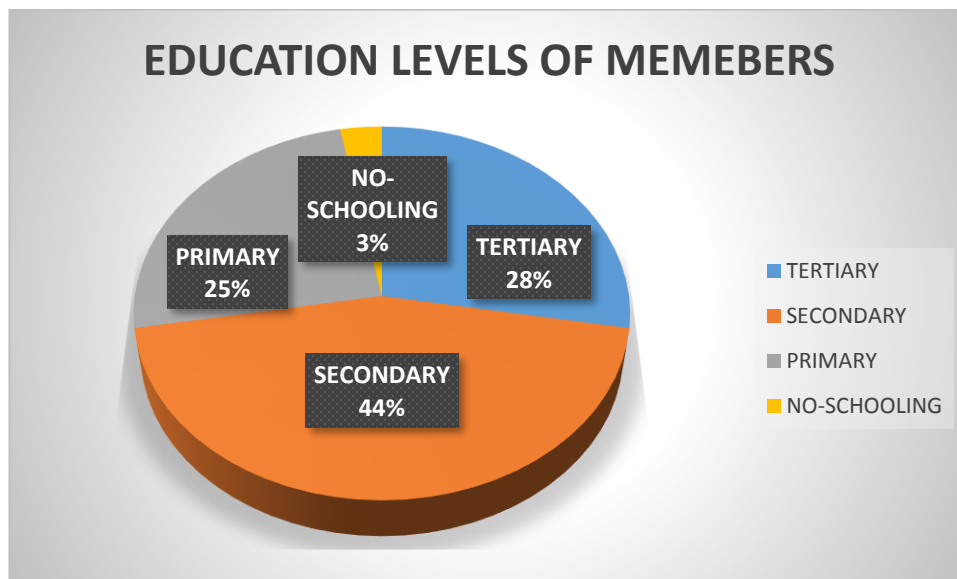
Demographics of Savings groups (financial Cooperatives)



The research has reviewed that the gender distribution in the financial cooperatives in the 8 provinces checked out so far shows that there are 45,779 females and compared to 46,124 males.



Over 50% of the Cooperative members were aged between the 36 and 45 while 23% were youths



The research shows majority of the members have secondary education compared to 3% who had no education at all. A significant number of Cooperative members at 28% had tertiary education and these were either retired or belong to work based financial cooperative

International experience: village banks (savings groups)

Literature has on record that first co-operative bank (i.e. Raiffeisen Bank) was formed in Germany around 1864 in order to establish and promote the perception of “self-help” in rural areas of Germany by providing financial services such as savings and credit services (Nigrini,2001,p.5) subsequently, the cooperative banks played a significant role in pursuing economic sustainability and social responsibility and lead to the formation of micro-finance institutions such as village banks, community banks and other forms of micro lending institutions across the globe. As a result, according to World Council of Credit Unions, there are about 53,000 cooperative credit unions operating in 100 countries as of 2011, serving over 7.5% of the world population (The connection, 2011, p.9).

On the African continent, village banks (financial cooperatives) in general have been around a long time and have been playing a significant role in improving the livelihoods of communities especially in the rural areas. Schneider (2005) reports that in Kenya, the country with the strongest cooperative movement in Africa has an estimated total number of village banks called Chamas (Kyamas) 300,000 managing a total of (USD \$3.4billion) in assets. The Chama phenomenon arose out of the idea of Harambee, which means "all together", in the late 1980s and 1990s.It has been estimated that 1 out of 3 Kenyans is a Chama member. It has been estimated that 63% of the population in Kenya earn their livelihood from cooperative enterprises which accounts for 45% of the country’s Gross Domestic Product (GDP). About 303,455 or 2% of the employed population in Kenya are directly employed by cooperatives. (ILO, 2009). Through cooperatives people especially in the rural communities in Africa manage to generate employment, boost food production, empower themselves, promote social cohesion and integration thereby improving their livelihoods, incomes and reduce poverty.

Village banks or savings group operate through solidarity group lending and savings. Village banking models in countries like India, Nigeria, Tanzania, Malawi, Indonesia, Spain, Ghana, Canada and Bangladesh are found to be successful in in dealing with the challenges of collateral requirements/problems, high risk, high transaction/security costs and low returns. Since 1994 onwards a number of village banks have been established in in many other African countries such as Benin, The Congo Brazzaville, Gabon, Guinea, Mauritania, Uganda and Kenya (Nigrini 2001).

Taking into account the Bangladesh experience and Dr Muhammad Yunus works of pioneering village banking works among the poor in that area in the early 1970s, different types of micro-financing programmes have been adopted by a number of organisations in Bangladesh for many years now in order to support the poor.AS a result, the Grameen Bank was born and Dr Muhammad Yunus received the Nobel Peace Award 2006 for his contribution towards poverty reduction through micro-financing (mahmuda et al.,2011,p.3).Since its establishment in 1974, by

2009 Grameen bank had reached an estimated 7.52 million poor borrowers and covered all areas in Bangladesh (MRA,2008).

In Malawi, thousands of poor women achieve economic gains and become economically independent (Mhango, 2015; Masina 2013). For example, since 2010 to 2013, more than 5000 Malawian women from 81 villages have economically benefitted from a village banking initiative called “Village savings and Loans” being spearheaded by a Malawian organisation called Centre for Alternatives for Victimised Women and Children (Masina 2013, p.1)

4. FINDINGS AND DISCUSSIONS

This section presents findings of (savings groups) financial cooperatives as informed by key informants and desk review on the history as well as recent developments on financial cooperatives.

At a time when Zambia was getting its independence, there were only about 6 financial cooperatives registered the colonial era. By 1976, the number of registered financial cooperatives had grown in number to about 500. The growth in financial cooperatives provided the impetus for the creation of an apex body to oversee and coordinate their interest and as such the Credit Unions and Savings Association (CUSA) was created in 1977. CUSA grew into a formidable entity and became the engine for developing the financial cooperatives sector in Zambia. CUSA didn't not just coordinate the activities of the financial cooperatives but was also involved in the mobilisation was additional resources that were much needed by the financial cooperatives it supervised. According to key informants, CUSA also performed the role of lender of last resort and provided capacity building activities to its membership. During this period, financial cooperatives grew to over 1000 nationwide (Ojamark and Chabal 1994)

However, CUSA collapsed in 1992 after involving itself in agricultural credits which failed due to severe droughts and the Governments subsequent declaration of an amnesty to the borrowers. CUSA funds as well those of its members were lost. Shortly after this incident most FC collapsed.

Due to the dire need of alternative financial services away from the traditional banking setup, CUSA rebranded itself to what has come to be known as National Association of Savings and Credit Unions (NASCU) in 2012. NASCU is now making frantic efforts to stimulate the existence and sustenance of financial cooperatives. However, the collapse of CUSA has dented the reputation of financial cooperatives and is among the reasons why a good number of people especially those who were old enough at a time still have reservations joining savings groups where there is influence of government. NASCU currently has 30 affiliated members despite the many financial cooperatives that currently exist. Its capacity to reach out to all provinces and provide pertinent services is limited.

Despite the foregoing, Zambia has made tremendous strides in accelerating financial inclusion in recent years with statistics showing the number of financially included adults increased from 33.7% in 2005 to 59.3% in 2015, exceeding Zambia's national target of 50% by 2013 and the new target has been set at 80% by the year 2022. (ZIPAR Policy Brief No.30-2019)

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From the statistics it's clear that a lot need to be done to address the problem of financial exclusion and as a starting point efforts should be made to reform the legal and regulatory framework which key informants highlighted as being currently weak and other than that there is need to also propose new methodologies such as village banking models as a tool to accelerate financial inclusion. Although the issue of legal and regulatory frame work has been identified as one key area under consideration in the national financial inclusion strategy 2017-2022 there remains a gap on what models can work for the Zambian poor communities to accelerate financial incision and the village banking model fits just well because of its easy to setup and operate. Village banks have proven to be a true alternative to the traditional banking system in that the poor Zambians have been able to access the financial services such as savings and loans without the requirement of collateral, village banks serves as huge relief to the KYC requirements by banks to take up on clients as their customers and in most cases majority poor Zambians don't meet these requirements and on the other hand the village banks serves as remedy to the high transaction costs the poor have suffered for a long at the hands of commercial banks.

Despite the many challenges that the poor communities have had to access the financial services in Zambia, research have shown that these sections of our societies have huge potential, skills and capacity to mobilise financial resources to meet their financial needs and help them to develop and sustain their livelihoods. The missing link is the establishment of robust and sustainable alternative financial institutions such as village banks, the self-help institutions as tools to accelerate financial inclusion to help the unbanked poor communities have access to financial services which in turn helps them develop and alleviate poverty. Theoretical financial models like village banks in countries Bangladesh, Indonesia, Ghana and Kenya embrace group lending as a possible alternative for lenders to overcome information asymmetries, collateral constraints and high transaction costs and also a mechanism to provide credit and savings to the poor communities.

The research reveals that access to financial resources such as cash, credit and insurance schemes plays a pivotal role in economic life development for individuals as well as households. As the saying goes “money makes the world go round” cash is needed for day-to-day consumption and plays an indispensable precautionary role in the smoothing of consumption (Wright 2000). According to merger and Wilkinson (2001), Whiteford and McGrath (2000) and Mashingo and Shoeman (2011), access to credit is key for social and economic growth development because of the role it plays by motivating income-generating activities responsible behaviour and economic independence.

Formal financial sector has for a long time turned their back against the poor communities because they are considered risky and uncertainty around them and also because of imperfect information concerning them. This means that the poor communities will continue to be denied access to financial services and their livelihood and development remains the nightmare.

With the foregoing, the traditional financial sector exemplified by village banks becomes very important in providing both savings and credit to the poor communities. Informal savings groups have a history of success and have for a long time made possible for the poor communities have access to financial services such as loans and savings. Village banks and other social savings groups in Zambia such as *chilimbos* have not received recognition or support commensurate with their current and potential contribution to improving the living standards of the economically marginalised majority. The problem of failing to give the informal financial institutions the support they deserve despite the potential they possess, has been observed as not being unique to Zambia alone for example in south Africa the savings and credit networks like Stokvel them too have not received the recognition they deserve despite the positive impact they have had on the livelihood of the poor black south African communities. (Baumann, 2001; Johnson and Rogaly, 1997; World Bank, 2002)

5. CONCLUSION AND RECOMMENDATIONS

Lending to the poor has always been a difficult task world over, as attested to by the many projects that experience high default rates. Starting with the Grameen Bank in Bangladesh and FINCA village banking in Latin America, development policy makers have embraced group lending as a possible alternative for lenders to provide credit to the poor. The aim of this research paper was to assess the feasibility of village banking model as a tool for accelerating financial inclusion for the unbanked poor communities in Zambia and subsequently draw lessons from model countries like Kenya, South Africa and Bangladesh where it has been successfully used as strategy/tool for financial inclusion as well as a bank for the poor communities. Further to substantiate its placement in the existing financial economic reality. Research around the world has shown that poor communities have the propensity to save for unforeseen circumstances through various informal groups such as Stokvels (Mashingo and Shoeman, 2011). In South Africa, *Chilimbos* in Zambia and Chamas (Kyamas) in Kenya. With respect to the foregoing, the research argues that savings groups such as village banking need to be given the support it deserves in form of regulatory framework in which they can operate and provide the much-needed financial services to the poor that cannot access these services from the main financial sector. Yunus (2003, p.3) stated that “Creation of separate legal framework, and a separate micro-credit regulatory commission will be the result of the recognition”. Furthermore, the regulatory body can play a pivotal role in developing appropriate policy for the recognition of micro savings which can develop a dynamic rural financial sector in Zambia. To regulate micro credit and rural finance, similar type of regulatory bodies is developed in many countries like India, Pakistan, Philippines, Venezuela and Uganda (Yunus, 2003.)

ABOUT THE AUTHORS

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About Munalula Mulonda Holds a Bachelor of Arts degree in Development studies from the University of Zambia (UNZA), Zambia and a Master of Science in globalization and development from the institute of development policy and management of the University of Antwerp in Antwerp, Belgium. His areas of competence include; Governance and development, local government institutions and poverty reduction, globalisation and foreign investment. He is also serving as a Patron for University of Zambia Development students Association (UNZADESA).

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