FACTORS CONTRIBUTING TO INDEBTEDNESS OF PUBLIC SERVANTS IN RURAL COMMUNITIES THROUGH MICRO-LENDING: CASE STUDY OF FRANSFONTEIN SETTLEMENT, KUNENE REGION

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Abstract

Although micro lending can provide some benefits to the low income socioeconomic grouping, it often results in over-indebtedness for many families. The focus of this study was on the factors contributing to indebtedness of public servants of Fransfontein Settlement in the Kunene region. The study objectives were to determine decisions for loan sizes that they acquire; assessment of the levels of indebtedness; identification of the impact of micro lending on public servant's consumption habits and an investigation whether participation in microfinance programs significantly reduces household vulnerability to poverty. A quantitative approach was employed in this study, using 89 participants who were randomly selected.

The study revealed that indebtedness is mostly caused by the inability to save which is normally is caused by an overstretched budget due to the number of family members resident in the home. The other causes of indebtedness were associated with borrowers servicing more than one loan and the interest implications.

The implications from the findings is that the government and the central bank must address the issue of indebtedness because its effects can negatively impact national livelihood, education and living standards of those residing in remote areas..

Keywords: Micro lending, over-indebtedness, poverty alleviation

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DEDICATION

This study is dedicated to my beloved wife and daughters for their sacrifices and patience with me. It is further dedicated to my grandmother Ms. Sara Ilonga who is very special to me.

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LIST OF ABREVIATIONS

ATM**- Automated Teller Machine**

BoN-**Bank of Namibia**

CETZAM- **Christian Enterprise Trust of Zambia**

CGAP- **Consultative Group to Assist the Poorest**

DFID- **Department of International Development**

GB - **Grameen Bank**

MAF- **Microlending Association of Namibia**

MFI- **Microfinance Institution**

NAMFISA- **Namibia Financial Institutions Supervisory Authority**

NGO- **Non-governmental Organisation**

OID- **Over Indebtedness**

PSW- **Public Sector Workers**

RILFTI- **Reproductive loan fund institution**

VBSP- **Vietnam Bank for Social Policies**

UNDP- **United Nations Development Program**

USAID- **United States Agency for International Development**

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Annex A: DATA SCHEDULES

BACKGROUND AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Micro-lending has been used by mostly the low income groups as a bridging mechanism to meet emergencies in a family set-up. According to Chiumya (2004) Microfinance, provides some relief to low income earners. There are a number of benefits that are derived from micro-lending which in the long term include increases in both income and consumption (Gallardo, 2001). However, the delinquency rate has risen due to over-indebtedness (OID) which results in the further vulnerability of those on low incomes. This chapter presents an introduction to the factors contributing to indebtedness of public servants in rural communities through micro-lending. It highlights the background of the problem, statement of the problem, objectives, and significance of the study, scope of the study and limitations of the study. Microcredit and micro-lending are used interchangeably in this study.

1.2. RESEARCH BACKGROUND

1.2.1. THE CURRENT GLOBAL PERCEPTION OF MICRO FINANCE

There is a strong perception worldwide that microfinance is the answer to poverty reduction as it empowers the vulnerable groups to improve their livelihoods and future. Policy makers have been in the forefront in making macro finance available to their nationals. Investors as well as donors have ascribed to the fact that micro finance can sustain and pay itself by being accessible to large numbers of poor households.

1.2.2.THE CURRENT LOCAL PERCEPTION OF MICRO FINANCE

According to NAMFISA, June 2017 there were 277 registered micro lenders operating in Namibia, while 55 were deregistered in 2016 for various reasons, including non-compliance with registration conditions, dormancy and voluntary requests. In Namibian context, micro lending refers to loans under N$50 000 which must be repaid over a maximum period of 60 months to the micro-lender, usually in installments. According to NAMFISA, micro-lenders are often unkindly referred to as 'loan sharks', but they consider it to be unfair to say the micro-lenders are always in the wrong when it comes to misunderstandings with their customers. They further point out that 'while it's true that micro-lenders' interest rates are higher than bank rates, this is because they provide funds over a shorter period, and at greater risk of 'bad debts' if their customers fail to pay.'•

The industry has grown rapidly and there are over 400 registered micro-lenders across the country supplying close to N$2 billion in funding. Around half of this is supplied via pay-day lenders who provide loans with a repayment period of up to 30 days. The micolenders use interest charged to offset the risk of providing the credit to the borrower. There are four risks:

- The costs incurred by the lender while providing the loan had to be repaid;

- Inflation means the lender will be able to buy less with the money as time passes;

- Scarcity - once it is lent to a borrower at a specific rate, it cannot be used for another loans; and

- The borrower defaults.

The Ministry of Finance regulates that annual finance charge may not be greater than 1.6 times the average prime rate in respect of a credit transaction. The prime rate is presently 9.25 percent (19.5%) and thus the highest a micro-lender should be allowed to charge would be 14.8 percent (14.8%) per year or 1.24 percent per month. The current rates of micro-lenders are 19.50 percent (19.5%) for loans longer than six (6) months or 30 percent (30%) for short term loans that last up to 30 days. The complaints of overcharging, illegal deductions, non-cancellation, and extensions of the loan period and non-payment of refunds by micro lenders to consumers are reported to the regulators. Micro lenders registered by NAMFISA are subject to a set of registration conditions and failure to comply with such conditions may result in cancellation procedures being instituted against such micro lenders.

Some of the registration conditions for micro lenders are, the loans to borrowers should be confined to 50% of the borrower's net salary (take-home salary), i.e. to qualify for a loan of N$1,000 the borrower should at least have a take home salary of N$2,000. NAMFISA also prohibits micro lenders from retaining the bankcards and pin of borrowers as security or for collection arrangement purposes.

1.2.3.MICRO LENDERS ASSOCIATION OF NAMIBIA

Micro lenders operating in Namibia are required to be registered with NAMFISA. The lenders that apply for membership at the Micro Lenders Association of Namibia (MLA) should provide proof of registration in order to apply for p MLA membership. According to MLA, members have the responsibility to do everything in their power to ensure that their micro lending businesses is run in compliance with the Code of Conduct and the Minimum Practice Requirements as provided by the

Management Committee. The Association represents its' members at NAMFISA, government and the commercial banks.

Micro-financing has been a poverty alleviation process that has been assisting the low-income communities for centuries. The word microfinance is being used very often in development vocabulary today to provide financial assistance to low-income individuals or groups. Although the word is literally comprised of two words: micro and finance which literally mean small credit; the concept of microfinance goes beyond the provision of small credit to the poor. Christen (1997) defines microfinance as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches (Christen,1997). This definition encompasses provision of other financial services like savings, money transfers, payments, and insurance, among others. However, many microfinance practices today still focus on micro-credit: providing the poor with small credit with the hope of improving their labour productivity and thereby lead to increment in public servant incomes.

The underlying problem is that although the micro-lenders are fully licensed and appear to be responsive to the credit needs of the households, these lenders use exploitative practices which place the vulnerable households in debt spirals causing them emotional and financial distress.

1.2.4.The National Credit Act 34 of 2005

In Namibia there are legislation to manage the operations Micro lending business, this mandate lies with the regulatory body Namibia Financial Institutions Supervisory Authority (NAMFISA). The regulatory body is responsible for regulating and supervising non-banking financial institutions in Namibia. According

to Government Notice No.189 of 25 August 2004 in terms of Section 15A of the Usury Act No. 73 of 1968, all organizations operating as micro lenders in Namibia have to be registered at the NAMFISA.

The Usury Act 73 of 1968 was replaced by the National Credit Act 34 of 2005, on 1 June 2007. The main aim of this legislation is to prevent the granting of so-called "reckless credit" to consumers, and in doing so protecting consumers from credit which may be, or may become, unmanageable.

1.3. STATEMENT OF THE PROBLEM

Financially independent people plan their finances by budgeting their monthly income and expenditure activities. They succeed in making financial decisions resulting in them spending less than they earn with an option to save surplus funds. Most employed individuals cannot regularly do this at times because money is very tight as emergencies arise and require additional money. Although micro lending is helping the low income groups' deal with emergencies, it has brought indebtedness to a number of families especially public servants in Fransfontein settlement in the Kunene Region.

Despite the relief, micro lending helps the low income socio-groupings; there is evidence that borrowers from Micro Finance Institutions (MFIs), especially Public Service Workers (PSWs), have had severe problems of indebtedness (Yunus, 2011).

Literature search has revealed that the majority of studies on micro lending and indebtedness of the borrowers have been conducted in Asia and West Africa (Betti, Dourmashkin, Rossi, Verma, & Yin, 2001; Breman, Guerin, & Prakash, 2009; Betti, Dourmashkin, Rossi, & Yin, 2007). There have been no study conducted on indebtedness resulting from micro lending in Namibia. The lack of such studies lends

itself to providing relevant knowledge on the micro lending indebtedness in the Namibian context. The study contributes and compliments to the body of existing knowledge on indebtedness and micro lending literature.

This study attempts to investigate the factors contributing to indebtedness of households in the rural communities of Kunene region through micro-lending.

1.4. RESEARCH OBJECTIVES

The main aim of this research is to evaluate the factors contributing to indebtedness of rural households in the low income socioeconomic groups and to inform the regulators about the exploitative nature of money lenders who place the poor households in a debt spiral. In order to analyze the spiraling of debt in rural communities, the following four objectives were addressed:

- To find out why public servants use microfinance;
- To explore the impact of microfinance indebtedness on public servants consumption; and
- To investigate if participation in microfinance programs significantly reduces public servants poverty.

1.5. SIGNIFICANCE OF THE STUDY

The study was prompted by the impact of micro lending on the indebtedness of public servants in Fransfontein, who instead of improving their livelihoods economically have become more indebted to the micro lenders.

The outcome of this study will be very useful to public servants and the rural poor who depend much on the services of micro lenders by exploring the effects of depending on soft loans with high interest rates. It will also be helpful to the policy

makers especially Bank of Namibia (BoN),who regulates the operations of financial intermediaries in determining the appropriate loan schedules, loan amortization and interest to be charged by micro lenders for sustainable indebtedness. This study is unique in that there has been no similar study conducted in Namibia. Above all, this study will benefit other researchers who wish to have similar studies as they can get background information from the results of this study which will serve as a baseline in their research.

1.6. LIMITATIONS OF THE STUDY

This study was limited to the public servants in Fransfontein and cannot be generalized to public servants residing elsewhere. Some respondents were not willing to disclose personal information thinking that they will be exposing the settlement to the public. Additional limitations of this study include:

- The sample size drawn might not have been a true representative of the population.

1.7. SCOPE OF THE STUDY

This study was limited to the public servants in Fransfontein. The research examined all factors contributing to indebtedness of households in rural communities through micro-lending and covered the period from May 2017 to July 2017.

1.8. ASSUMPTIONS OF THE STUDY

- In the process of carrying out this research, the following specific assumptions pertaining to the study were made:
  - o All responses provided are true and reliable such that they can be used as a true representation of the whole population.

1.9. DEFINITION OF TERMS

Public servants- are people employed in the public sector employed by government department or agency (Hoogenboom, 1961).

Indebtedness- is defined as a chronic and involuntary inability to meet all payment obligations by means of the household's excess cash (Kappel, Krauss, and Lontzek 2010).

Poverty- is general scarcity or the state of an individual who lacks a certain amount of material possessions or money (Thomson, 2009).

Loan- A financial transaction in which one party (the lender) agrees to give another party (the borrower) a certain amount of money with the expectation of total repayment.

Interest- Interest is a fee charged for using borrowed money.

Budget- a detailed financial plan that reflects expected income and expenses over a specified time. It's a tool used to determine how much is available for spending.

Collateral- Is an asset that borrowers offer as a security to obtain a loan. Should the borrower fail to repay the loan according to agreed schedules, this asset is repossessed to recoup the balance of the loan.

1.10. ORGANIZATION OF THE STUDY

Chapter 1: Introduction and background to the study

Chapter One has introduced the topic under this study. The chapter has also given the background and research problem statement that justifies the study as well as the significance, limitations and limitations of the study.

Chapter 2: Literature Review

This chapter will review the literature in line with the objectives of the study. The literature search will link this with the research problem, and the research instrument. The purpose of this chapter is to draw upon any previous research into the same subject and to analyse its conclusions.

Chapter 3: Research Design

In this section the research methodology will be described. This will include definition of the target group, sample design, data collection and the overall research process.

Chapter 4: Data analysis, findings and discussion

The data collected will be described, followed by a discussion of the analysis of the data collected. Any commonalities or differences emerging from the data will be explained. This chapter is the major component of the research study.

Chapter 5: Conclusion and Recommendations

The conclusion will summarize the research findings which will be linked to extant literature to answer the research objections. Following this discussion, recommendations will be made, based on the research findings.

1.11. SUMMARY

Chapter one has set the background to the study and laid out the aim and objectives of the study. The chapter has also addressed the research problem, research objectives, the significance of this study as well as the limitations and delimitations of the study. The following chapter discusses the literature review on the over-indebtedness topic

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter aims to explore different views of authors on factors contributing to indebtedness of public servants in rural communities through borrowing from micro lenders. In this chapter, theoretical, empirical and conceptual literature review is going to be explained and it provides a review of available literature in the area of micro financing indebtedness. This chapter covers the extant literature surrounding indebtedness from micro - finance borrowing.

Mugenda & Mugenda (2003) asserts that the purpose of literature review is to help the researcher to avoid unnecessary and unintentional duplication of work; form a basis within which the research findings are to be interpreted; and demonstrates the researcher's familiarity with the existing body of knowledge.

The literature review carried out was aimed at taking an in depth and comprehensive analysis on what different authors have researched and identifying gaps that will be covered or addressed by this study.

In line with the objectives, the following literature was reviewed.

2.2. LIFE-CYCLE THEORY OF CONSUMPTION

According to economist Keynes's,(1936), consumption expenditure for an individual depends mainly on his/her current income. After Keynes theory on consumption other economist namely Franco Modigliani, (1975) revealed that individuals do not only focus on current income when making financial decisions and consumption, but also consider the income they expect to receive in the future.

Therefore, the consumption theories of Franco Modigliani is known as the Life-Cycle Theory of Consumption, he emphasises on an indidiuals decisions about consumption income earned when employed.

The life-cycle theory assumes that an individual in early years of life earns no income and is fully depended on his family and other relatives. In the middle period of his life he is likely to find employment and earn an income. This period is referred to the accumulative stage of his life where he spends large amounts on consumption expenditure this level of expenditure is only sustainable if the income earned is higher than the expenses and a portion is saved. His motive of saving is to accumulate sufficient assets and wealth that will provide sufficient returns to satisfy and maintain a decent standard of consumption as he takes more financial risk as he grows. During the consolidation phase of his life an individual will mix different sources of financial products and services to meet some investment objectives with little disturbance in his standard of living.

The above literature reveals that expectations about future income affect current consumption during a given period of time. Thus individuals are inclined to save during good periods to avoid borrowing and dependence on alternative sources for funds for consumption as they pass different phases on life.

2.3. DEFINITION OF MICRO-FINANCE

The definition of microfinance is the provision of financial intermediation services being savings, credit, funds transfer, insurance, pension remittance, offered to low-income households and enterprises in both urban and rural areas, including

employees in the public and private sectors and the self-employed. Adongo and Stork (2005).

According to Orrick et al (2012), microfinance is a broad term that describes banking and financial services provided by poverty-focused financial institutions (often referred to as microfinance institutions) to the poor that are not being served by the mainstream financial organisations.

Microcredit pertains to lending small loans while micro finance includes to microcredit, savings, insurance, money transfers, and other financial services. Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". However, Oteros' definition has met some criticisms from researchers who indicate that the poor are not the only category of the socioeconomic grouping that borrow from the microfinance institutions. The public servants who are the focus of this study are not necessarily poor people as they receive an income in exchange for services rendered to the government. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor public servant neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Sinha (1988:2) notes that although the two terms focus on the same activity they are technically different in their approach.

2.4. HISTORY OF MICROFINANCING

The existence of micro lending spans back to the 18th century (Brandt et al., 2012). Evidence of documentation relating to the granting of loans to the poor have been claimed by Brandt et al., 2012).The authors indicate that such lending was provided to "poor industrious tradesmen" money "in small sums of five, and ten pounds, to be repaid weekly, at two or four shillings, without interest". Other evidence on the existence of micro lending shows that loans were provided to assist the poor in 1822.In Germany, micro lending existed through cooperatives that assisted self-help groups as far back as in the 19th century (Brandt, et al., 2012; Wolcott,2009). It can therefore be noted that micro financing has been in existence for a long time.

2.5. DIFFERENT TYPES OF BORROWING

Money is central to all our lives and is needed to operate in this world and inevitable, those who can use and control money wisely lead better lives than those who are enslaved by their money problems. In order to meet the current needs individuals will seek funds from other sources to fill the gaps to satisfy these needs. Many individuals are faced with situations where they have to makes decisions on how they will finance a business opportunity and household expenditure. These gaps are covered with borrowing funds from different sources, whereby they are receiving funds and a contract to repay capital with additional cost at a future date.

Contractual obligations that emanate from receiving funds from lenders have certain responsibilities, failure to meets these can lead to financial ruin. Individuals and businesses that borrow should be responsible and borrow having done a proper needs analysis, affordability and the cost.

There are many ways one can have access to funds, the decision on the type of loan taken is dependent on the individual's ability to repay quoted repayment amount.

Table 1: Types of borrowing

Name	Description	Institutions
Payday loans	Borrowers take out these types of loans just enough to get through to the next pay day, upon which the repayment is due.	Micro-lenders
Pawn Loan	This type of loan requires borrowers to surrender an item or asset in exchange for a specific amount of money. The amount taken is repaid at the end of the agreed period with additional cost. If the borrowers fails to repay as agreed the asset is forfeited to cover the loan.	Pawn shops
Bank Overdraft	An overdraft is an option of credit given to bank account holders to continue withdrawing from his account after depletion of the holders own money in the account. The bank allows its customer to borrow money at a specific interest rate, which normally a higher rate for a pre-defined period.	Commercial banks
Personal Loans	A loan that has to be repaid with interest in equal periodic payments	Commercial bank and Micro Lenders

Retail Credit	Credit given to a customer to buy furniture, clothing and food.	Furniture stores, Clothing stores, supermarkets and commercial banks

Source: Authors' compilation

2.6. DEFINITION OF INDEBTEDNESS

Due to the complexity of indebtedness, there is no universal definition of indebtedness. Kappel, Krauss, and Lontzek (2010), defines indebtedness as a chronic and involuntary inability to meet all payment obligations by means of the household's excess cash. Schick (2014), defines over-indebtedness as disequilibrium between debt and income ratios. It can be noted, however from these definitions that over-indebtedness creates continuous financial pressure on the individual whose household earnings are overly stretched beyond the borrower's ability to repay. Therefore the essence of over-indebtedness is the severity it places on an individual who faces problems in repaying the loan as agreed with the micro lender. According to Guérin et al. (2009) it is the nature of the debt relationship and not the amount borrowed that becomes a burden.

2.7. COLLATERAL IN MICROFINANCE

According to Fleisig (1995), a collateral can be defined as an asset pledged to the lender, until the loan is paid back. In the event the borrower defaults the loan, the lender has a contractual right to sell the asset. The collateral is meant to meditate the following:

(a) the lenders risk, the lender can fully or partially recover the losses incurred when borrower defaults; and

(b) Selection tool, upon application, the lender can conduct risk assessment on a potential client that does not have collateral and or is unwilling to forfeit the asset in future.

One of the key constraints faced by the rural communities and low income groups according to (Fleisig, 1994, p. 3) is the inability to meet the collateral requirements of commercial banks. However these communities provide alternative means as collateral, lenders rely on the character and the capacity of the applicant when grating a loan. Collateral offered in rural and low-income areas are non-marketable assets that cannot be recovered through a judicial process but serves as a tool to pressure the borrower to repay.

Common characteristics of collateral used in microfinance are:

- Enforceability, it should not complicated to repossess the asset in case of loan default,
- Low cost; the cost of processing the collateral upon approval and seizure at default should be relative low to the loan value, and
- Simplicity; processing the collateral option should not be require complicated documentation and valuations.

2.8 TYPES OF COLLATERAL

2.8.1. Asset ownership Documents

Balkenhol & Schütte (n.d.) state that a legally binding financial agreement is drawn up by the guarantor, guaranteeing loan repayment of the loan. Personal guarantees are offered by family members, friends, neighbors and business people. Personal guarantees might be difficult because most public servants migrated to rural areas

where they do not have family. In rural environments many do not have ownership documents of the immoveable assets.

2.8.2. Livestock

In rural communities livestock serves as a form of savings, thus owners spend a portion of their monthly income as subsistence farmers on animal health and labor. The difficulty with this option is the extensive drought conditions, theft, diseases and sickness of the animals. The future value of the animals is not guaranteed during sale or auction (Balkenhol & Schütte, n.d.).

2.8.3. Post Dated Cheques

A borrower with a cheque account at a commercial bank writes and issues a series of cheques equivalent to the outstanding installments or an undated cheque equal to the loan value. The drawback of this option might be that rural communities do not fully utilize the banking services and therefore excludes those with poor credit history with the bank (Balkenhol & Schütte, n.d.).

2.8.4. Compulsory savings

According to Balkenhol & Schütte,(n.d.),a mandatory savings linked collateral is less commonly used due to excessive administration. Prior to approval of a loan the lender should ensure that the borrower opens a savings account with a financial institution. The access to the savings accounts remains with account holder and does not provide guarantee to the lender. However this option might be beneficial to both parties, by providing security to the lender and increasing the asset base of the borrower for future use.

2.9. CONCEPTUAL MODEL

Microfinance lending targets low income groups who are not able access loans from the traditional banks due to the inadequacy of collateral. The borrower will use their employment status to access the borrowing and at times the micro lender will take the borrowers Automated Teller Machine card (ATM) as collateral. Lending is normally made to borrowers who are in stable employment and receive a monthly salary. The interest rate on funds from micro lenders is usually higher than the rate charged by the commercial banks. The terms of the borrowing are normally short and repayments are made monthly.

2.10. MICRO LENDING MODELS

2.10.1. Grameen Bank Model of Bangladesh

Founded by Professor Muhammad Yunus in 1976 to provide small loans to poor people in the villages of Bangladesh,the Grammen Bank model has been replicated by many countries and groups around the world.The model specifically focusses on granting small loans to the poor in order to empower them in exerting their skills while earning entrepreneurial money from the finance assistance. The model provides banking to the poor who are segregated by the traditional banks who require collateral for any borrowing. Lending in the model is mainly focused on women who according to the Grammen Bank are reliable borrowers as well as astute entrepreneurs.

Professor Yunus the founder of the Grameen Bank, states that credit to the poor is a cutting edge tool that aims at breaking the inequalities that exist between the rich and the poor, in order to bring out the latent capabilities of those who have been marginalized by society.

According to Yunus, microcredit provides the poor with opportunities to grow by purchasing equipment and other inputs and engage in micro enterprises of their choice.

2.10.2. Methodologies of the Grameen Bank Model

The Grameen Bank model lends on trust and that the group that comprises the borrowers will repay according to the repayment schedule. From the experiences of the bank, women are reliable and form better entrepreneurs especially within the rural environment. Banking inspectors provide the intensive supervision by visiting the borrowers in order to control any deviations from the initial purpose of the borrowing.

2.10.2.1. Group Lending structure

Lending is made to a group of four to eight individuals where the formation of the group is constituted prior to the borrowing. The repayment terms are rigid in the group in order to avoid the bank disqualifying the whole group where repayment is not made. In other words the group assumes a joint and several liabilities on the amount of the loan. Each member and jointly with the group members becomes liable for any omissions by the group and this puts pressure to repay the loan.

2.10.3. Weaknesses of the Grameen Bank Model

Out of all the models on micro financing, the Gremeen model has been replicated by a number of countries (due to its success in improving the lives of the rural people in Bangladesh) all over the world and these include Latin America. However,there are weaknesses in replicating the Grameen model because of its limitations. The following are the limitations which pertain to replicating the model:

- Mega structures are required in setting up a similar model of the Grameen.

- An injection of external funding is required because of the operational costs involved.

- The model creates a climate of dependence, where the poor are pushed to borrow more and eventually become trapped without any relief as they have to repay previous engagements.

- The model has overdependence on foreign donor funds to keep the cycle of lending fluid. In the absence of donor funding, the micro financing will not sustain itself.

- Repayment schedules will not be met by the poor as the model requires a repayment system of 50 weekly equal instalments. Since the borrowers depend on the agricultural yields for repayment, this may be affected by the outcome of the yields where the poor experience a poor harvest during the season when repayments are due.

- Since the Grameen model is based on providing credit to the poor, financial pressures may build up where the poor are forced to resort to money lenders for their sustainability.

- Interest charges of the Grameen model are very high (more than 7% monthly) for the ordinary poor although the Grameen bank argues that this is due to the cost of borrowing. In addition the credit terms are not flexible and not adapted to the activities of the poor.

- The difficulty in convincing members to form groups for the purposes of getting funding from a micro lender is another limiting factor to totally replicate the Grameen model who's lending is focused on cooperatives.

It can however, be observed that there is no specific model that can be applied universally. All models are driven by the environment and culture in which they operate.

2.10.4. Other Models of Credit Finance

2.10.4.1. Latin American Solidarity Group Model

Thomas (1995) contends that due to its success, the Grameen model has been replicated to tailor suit other countries. Latin America is one of the countries that relocated the Grameen model in the 1980s by incorporating the Grameen model methodology into their existing programs. However, despite the success of the Grameen model, the methodologies and operatives differs from one country to another. For example in the Latin American solidarity group model, group members are visited by credit officers for the purposes of analyzing the credibility of the small loan being granted to a group.

2.11. DECLINE IN HOUSEHOLD SAVINGS

Household debt has grown considerably in both developed and emerging economies in the last two decades. This has sustained consumption growth and consequently contributed to the decline in household savings (Barba and Pivetti, 2009). Increasing borrowing to finance consumption is seen as a stimulating factor for the economy (Rajan and Zingales, 2003). However there is concern that high levels of debt may curtail spending in the future and hence, slow down economic growth in the long run. A high level of debt therefore implies a higher debt service burden and restricts the ability of households to gain access to additional external funds. A high level of debt raises the households' vulnerability, reducing their ability to adjust to unexpected shock to their income, their assets or interest rates (Martinez-Carrascal and del Rio, 2004).

2.12. THE TRADITIONAL PRINCIPLES OF LENDING

Mačerinskiene & Ivaškevičiūte (2008) states that there are prerequisites practiced by commercial banks in order to ensure that the money from depositors is paid back. The collateral forms the rudiment on which borrowing is assessed. This is one requirements that makes micro lending critical to the poor who cannot afford the intricacies of the traditional banks, although this comes at a price in terms of higher interest rates.

2.12.1. Unsecured loans

In modern life the need to take out a loan has become a common practice for survival. When applying for loans, there are two basic types of loans namely: Secured and unsecured loans. The unsecured loans have become very popular among the lower and middle-class communities, because of easy qualification requirements and the speed of approval. The unsecured loans can be found in the payday loan market and in rural communities as micro credit institutions. There are a large variety of lenders that work round-the-clock and therefore payday loans are available any time of day or night (Mačerinskiene & Ivaškevičiūte, 2008).

2.12.1.1. Advantages of Unsecured loans from Micro lenders

Speedy approval

This is the biggest advantage when sourcing a loan from a micro lender. The formalities are not as cumbersome as those required by commercial banks when assessing the ability to repay. The commercial banks will take longer in arriving at the outcome of whether the bank will lend or not. The most critical determinant is the availability of collateral, which the banks seize in case of a default. Micro lenders will provide the borrower with the funds within a short time period and on the same

day. This speed resonates well with borrowers who normally require liquidity to meet emergencies. Traditional banks unfortunately are not designed to provide such expediency in emergency situations (Mačerinskiene & Ivaškevičiūte, 2008).

Fixed interest rates

In line with the speed in accessing loans from microfinance institutions, the customer is assured that the interest rates stipulated at the time of borrowing will not shift and be a disadvantage to him or her. Micro lenders tend to fix an interest rate that is well above the existing lending rate stipulated by the central bank, in this case Bank of Namibia. Unlike the traditional commercial banks who earn their money through the multiplier effect, micro financiers earn their profit by charging higher interest rates. The comfort to the borrower is the ability to rely on a stable income to meet the repayment schedule.

2.12.1.2.   Disadvantages of secured loans

Length of Processing

Micro lending procedures are less rigid as compared to the traditional banking lending principles. For eligibility in accessing loans from the traditional banks, the purpose of the loan, the amount, repayment period, terms and security for the amount being lent out must be satisfied. The other issues relate to how long the customer has been with the bank and how the account history has been operated. All these form the eligibility for a loan to be granted and this involves a lot of paper work and processes. In the case of a micro lender the only requirement is evidence of employment and salary (Mačerinskiene and Ivaškevičiūte, 2008).

2.13. THE CHANGING FACE OF MICRO FINANCING

The changing face of micro financing is normally associated with Muhammad Yunus in Bangladesh. An academic,trained in the United States of America,Yunus, who

founded the Grammen Bank. From small beginnings the Grammen Bank commenced in 1974, where the founder began by lending to a woman involved in weaving handcrafts from his personal funds. Yunus won the Nobel Prize in 2006 for this innovation which was alleviating the financial hardships that poor people who could not afford to borrow from the commercial banks were assisted. The limiting factors at play against the poor is threefold (Imai & Azam , 2010). These pertain to first, inability to provide collateral that banks require to cover loans given to their customers. The second limitation is the cumbersome procedures and scrutiny used by the banks to open banking accounts and technology based transactions, which discourages those with no education. The third limiting factor is the absence of lending criteria for the rural populace which is not segregated from that which applies to the urban sector.

Developing nations experience the above limitations while anecdotes and other inspiring stories purport to show that microfinance can make a real difference in the lives of those served, rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scarce and inconclusive" (Duvendack et al., 2011, p.2).

2.14. THE ROLE OF MICRO FINANCE IN FIGHTING RURAL POVERTY

The main role of micro financing is in the first instance to reduce poverty and secondly to improve the quality of life for people who are classified as being poor (Burra, Deshmukh-Ranadive, and Murthy, 2005).The governments and donor sectors have made overtures in strides to improve the livelihoods of their people through micro financing. The economists on the other hand argue that in order to reduce

poverty among the poor there has to be funds injected to boost household productivity. This can enable households to participate in the economic activities of the country in order to improve their standards of living.

Figure 2. Microfinance promise

Source: Authors compilation

Despite the increasing need for credit or cash by the low-income households, such credit from the formal financial institutions, especially banks, is inaccessible due to collateral constraints, high interest rates and asymmetric information. The households only need small amounts of loans for their day-to-day expenses however extending loans of small amounts is perceived by the commercial banks as risky, costly and unprofitable.

Figure 2, illustrates the need for additional source of funding by individuals to cater for daily essentials, emergencies and business opportunities. The micro lenders

satisfy the needs of these communities, however in the long-run these results in vicious cycle of indebtedness. Financially illiterate individuals make short-term decisions to satisfy their current needs without fully understanding the long-term consequences of these financial decisions. The micro lenders are accessible to these rural communities and understand their social environment. The concern of the institutions is that the unit costs of administering a large number of small loans are high. The lack of sufficient collateral to secure loans, lack of information about the creditworthiness of the borrowers lead to high transaction costs of advancing credit to such borrowers. The institutions hesitate to lend to people whose repayment capacities seem uncertain and risky. This means that financial institutions will have little recourse against defaulting borrowers. As a result, these households resort to the micro-lenders who provide small loans for a range of needs. These micro-lenders operate lending borrowing businesses and exist as the only and immediate sources of credit available to the rural households (Mashigo, & Schoeman., 2012).

The importance of these micro-lenders is ascribed to easy access to loans which is characterized by social aspects like, long-term relationships, reputation, respect and loyalty. These social aspects remove the risks of collateral, asymmetric (incomplete) information, lack of credit history. The underlying problem is that although the micro-lenders appear to be responsive to the credit needs of the low-income households, these lenders use exploitative practices which place the vulnerable households in debt spirals causing them emotional and financial distress.

3.   CREDIT RATIONING

The concept of credit rationing is based on the assumption that the rate of loan defaults will be less against how much loans are granted to borrowers. Micro finance

lenders will therefore spread the risk of not lending more money to a customer whose probability of repaying the loan is doubtful. The spreading of the loan amounts amongst borrowers ensures that the default rate is minimized (Ghosh, Mookherjee, & Debraj 2000).

3.12.   FACTORS INCREASING DEBT OF PUBLIC SERVANTS

There are a number of factors that lead to indebtedness and in many cases it is borrowers who poor financial decisions, although there are instances where the external factors contribute to indebtedness. Some of the factors that result in indebtedness include unemployment, present gratification, formal education as well as demographic variables.

3.12.1. Unemployment

The issue of unemployment is one that beleaguers many African and developing nations. The unemployment problem tends to force people, especially the poor who are vulnerable as they need to continue to feed and survive.

3.12.2. Present gratification

Many borrowers tend to borrow in lieu of future expected incomes, when they can wait for that outcome and spend without pressure of repayment. The phenomenon that the borrower did not predict future income levels will tend to affect the ability to repay and this may lead to indebtedness.

3.12.3. Formal education

Formal education has a bearing on the risk of borrowing and indebtedness (Bridges and Disney, 2004 ; Gonzalez, 2008). Numerous households have low levels of education and thus are not able to comprehend the risk they take when borrowing from the micro lenders (Wright and Mutesasira 2001:11). Lack of formal education

further alienates them from getting good paying jobs thereby forcing families to send their family members to seek for menial jobs to complement their levels of impoverishment. In order to bridge the expected meager incomes, these families are influenced to borrow from the micro lenders.

3.12.4. Demographic variables

Demographic variables play a critical role in a person's over-indebtedness. This varies amongst individuals but is more prominent with the young that borrow to meet the expectations of the community. For example, the young generation would be driven to borrow in order to satisfy social wants as opposed to the old people who borrow to meet their needs (Modigliani, 1980). Another demographic factor for borrowing depends on the borrower's household situation and family size (Livingstone and Lunt 1992). It has been noted that, the larger the family size, the more expenses will be incurred and therefore, borrowing to meet the financial gaps.

3.13. THE INDEBTEDNESS OF PUBLIC SEVANTS HOUSEHOLDS

The differences with distribution of debt are always determined by the characteristics of the households. According to Farinha, (2008) the frequency of debt reduces with age. The author posits that the debt frequency normally affects the age groups who still have the propensity to repay the loans in their working lifetime. This phenomenon follows in the context of obtaining mortgages, the older group tends to have less debt as these would have been repaid in their prime age.

3.13.1. Number of family members

There is always interplay between the frequency of borrowing that is made by bigger families and smaller families that are catergorised as poor within the socioeconomic grouping in the society. Age is also a contributor in the borrowing frequencies from

the micro lenders. An older individual will borrow less due to past experiences (Green, 2011). The propensity to participate in micro lending is more significant with the young generation below the age of 35 years especially in non-mortgage loans, adds Green (2011).Suffice to indicate the frequencies affecting the borrowing by the old and young age groups, the largest level of borrowing can be seen in those who are classified as wealthy because their "appetite" to borrow large amounts is high due to their repayment capabilities.

3.13.2. Micro-lenders and interest charged

According to Campbell (2006), research found out that micro-lenders do not explain the contract to their clients with the result that clients sign the contracts with no idea of the interest rates and the duration of the contract. When asked about the duration of the loan repayment they only know about paying at the end of the month but do not have any idea that the interest rate accumulates over a month. For example, A 30-day loan is extended for three-four months which places the borrowers in debt spirals.

In below scenario **A**, a pensioner's loan repayment of N$ 1 099 amounts to 92% of his/her monthly pension of N$1 200. By the fourth month, the repayment of N$856 exceeds his/her pension. In scenario **B**, by the fifth month, repayment of N$3 714 exceeds his/her wage of N$3 500. Borrowers are caught in a debt spiral and end up in financial distress.

Table 2. Typical Loan schedules

	Month	Loan Amount	Interest at 30%	Repayment amount	Income
A	1	N$500	N$150	N$650	N$1 200

	2	N$650	N$195	N$845	(pension)
	3	N$845	N$254	N$1 099	
	4	N$1 099	N$330	N$1 429	
B	1	N$1 000	N$300	N$1 300	N$3 500 (wage)
	2	N$1 300	N$390	N$1 690	
	3	N$1 690	N$507	N$2 197	
	4	N$2 197	N$660	N$2 857	
	5	N$2 857	N$857	N$3 714	

Source: Authors' compilation

3.14. LIST OF COMPARATIVE STUDIES

A myriad of studies have been focused on the issue of indebtedness that arises due to borrowing from micro lenders.

Table 3. List of comparative studies

Author	Purpose	Key findings
Chester, (2014)	To examine Impacts of Microfinance Programs in a Guatemalan Village	Findings revealed that issues of high interest rates, loans used for consumption spending, and multiple borrowing were a great concern
Schicks.&Rosenberg, (2011)	To examine the conceptual issues and the limited empirical evidence on over indebtedness in microcredit markets	Findings revealed that it is the lack of assessment to repay by micro lenders that push the borrowers towards indebtedness. Alertness by micro lending managers would reduce indebtedness.

| Schicks, (2011) | To develop an over Indebtedness definition and investigate causes of indebtedness. | Findings indicate that enhancing an understanding of what microfinance over-indebtedness is and how it is caused, can come up with solutions to the root causes of over-indebtedness. |

Source: Authors' compilation

3.15. CONCLUSION

This chapter conducted a literature review relating reasons for borrowing and the desire by individuals to maintain the decent standard of living. During various phases of life individuals make financial decisions that will have an impact on their future consumption, cost of basic needs and standard of living. In order to need needs where the level income and savings does not meet the current need individuals take loans with financial institutions such as commercial bank and micro lenders. Failure to service these loans and the decision on an individual to seek additional loans to reduce other debts leads to a dangerous cycle of over-indebtedness. From the literature reviewed, it is evident that over indebtedness results from an individual age, education, level of financial maturity and experience. Micro lenders are more accessible to remotely located towns because commercial bank will not invests in areas with a low population. Despite the fact that micro lending provides some form of relief to the low income socioeconomic groupings, the failure by the lenders to provide credit against affordability they may contribute to over-indebtedness. The literature reviewed has also shown that a number of studies conducted in different parts of the world, have shown that micro lending has benefits valued by the low income groups, the problem is that income is often irregular and undependable. The following chapter addresses the research methodology that has been adopted for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In the previous chapter, the extant literature around micro finance and indebtedness were discussed. This chapter covers the methodology employed in this study. The research methodology and the ethical consideration were also explained in this chapter.

3.2 RESEARCH DESIGN

Lavrakas, (2008, p.33), defines research design as an overall research approach or the strategy taken. In this definition, research is defined as a plan or strategy with which the researcher addresses the objectives of the study. There are a number of research designs that a researcher can use. The commonly used research designs are the explanatory, descriptive and exploratory approaches.

3.2.1. Explanatory research

The exploratory research design seeks to explain the relationship between the variables that pertain to the research problem. In short, explanatory research attempts to explain the connectedness among the components of a given phenomenon under study.

3.2.2. Descriptive research

The descriptive research design is conducted to ascertain and describe the variables and their characteristics in a situation of interest. Descriptive studies offer a researcher with a profile to describe the relevant aspects of the phenomenon of interest.

3.2.3 Exploratory research

Sekeran & Bougie (2011), states that the exploratory research design is normally undertaken when not much is known about a phenomenon or where there is lack of information about the situation. Such a research design is undertaken to better understand or comprehend the nature of the problem.

This study adopted a descriptive research because the objective of the study is to determine the causes of indebtedness within the Fransfontein.

3.3. RESEARCH METHODOLOGY

According to Yin (2014) a researcher will determine the best method of approach to explore information regarding a particular problem. There are different approaches in research, these include quantitative, qualitative and mixed methods (triangulation).This study adopted the quantitative approach.

3.3.1. Quantitative research

Quantitative research is defined as an approach for testing theories by examining the relationship among variables. The research itself is independent of the researcher; as a result data is used to objectively measure reality (Williams, 2007). Quantitative research is generally used in response to relational questions of variables within the research and involves a numeric or statistical approach to research design (Williams, 2007). The intent is to establish, confirm, or validate relationships and to develop generalizations that contribute to theory. The premise for Quantitative research is on deductive rather than inductive reasoning.

The method that was employed in this study is the quantitative approach because the study sought to establish, confirm, and validate relationships and to develop generalizations that contribute to theory.

3.4. POPULATION

The target population for this study was the public servants that permanently reside and work at public institutions in Fransfontein settlement. It is estimated that Fransfontein settlement has about 150 public servants.

3.5. SAMPLING AND SAMPLING PROCEDURES

A sample is a limited part of a population whose properties are studied to gain information about the whole. Sampling is the process of selecting units from the target population so that by studying the sample, generalization of findings can be made to the population (Saunders, Lewis and Thornhill, 2009, p.225-230). There are two broad types of sampling and these are probability and non-probability sampling. Probability sampling ensures that every unit in the population has a chance of being selected in the sample. The probability sampling the following sampling methods are includes, random sampling where the sample is randomly selected from the sampling frame; Systematic sampling where every nth element is selected until the sample size is obtained; Stratified sampling which divides the sampling frame into homogeneous and non-overlapping subgroups (called "strata") where a simple random sample is drawn from within each subgroup.

3.5.1 Non-Probability Sampling

This type of sampling is a sampling technique in which some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined. The non-probability sampling techniques include: Convenience sampling as the name indicates, is a technique that will select individuals that are conveniently located to the researcher. It draws the sample from a part of the population that is readily available, or convenient. Quota sampling is a non-random set of observations which is chosen from each subgroup to meet a

predefined quota. Snowball sampling refers to identifying and selecting few respondents that match the criteria for inclusion in the study who then are asked to recommend others they know who also meet the study selection criteria. Purposive sampling is used to select people who have the experience or knowledge about the phenomenon of the topic. This is the sample that assists in answering the research questions and achieving the objectives of the study (Sekeran and Bougie (2009, p.276).

A total of 120 questionnaires were distributed at the government offices for public servants to complete. Random sampling was adopted for this study. Random sampling is the most attractive type of probability sampling. This technique allows each member of the population to have the same chance of being included in the sample and each element of a particular size has the same probability of being chosen, Welman et al (2005).

3.6. VALIDITY AND RELIABILITY

Grove et al., (2015) asserts that measurement is a very important part of the quantitative research process. When quality measurement methods are used in a study, it improves the accuracy or validity of study outcomes or findings. The validity of an instrument determines the extent to which it actually reflects or is able to measure the construct being examined. For this purpose the questionnaire was tested for content and face validity. The questionnaire was based on a thorough literature review for content validity and for face validity; the focus was on whether the content is clear and appear to measure what it is supposed to measure. Content validity also ensures that irrelevant questions were not asked.

3.7. LOCATION OF THE STUDY

This study was conducted in Fransfontein, a settlement situated about 28 kilometers from Khorixas in the Kunene Region. A settlement is a non-self-governed populated place that is fully supported by the government, it has no authority to set up facilities like water, sell and sewerage without the approval of the Minister of Urban and Rural Development. These are non-proclaimed areas where residents cannot buy or sell immovable property without asking for explicit approval. Residents reside on land under customary lease holdings issued by the traditional authority to build their residence. Most government employees reside in government houses at the settlement.

According to Population Census statistics there are approximately 1000 inhabitants in Fransfontein.(Census, 2011). Most of the inhabitants are subsistence farmers, pensioners and public servants working for various government agencies. Most of residents are teachers under the Ministry of Education, and the rest are cleaners and laborers as well as police officers employed by the Ministry of Safety and Security. Other public institutions in the settlement are Ministry of Agriculture and Forestry and Ministry of Health and Social Services and Ministry of Local Government, Rural and Urban Development.

Table 4: Location of Fransfontein Settlement
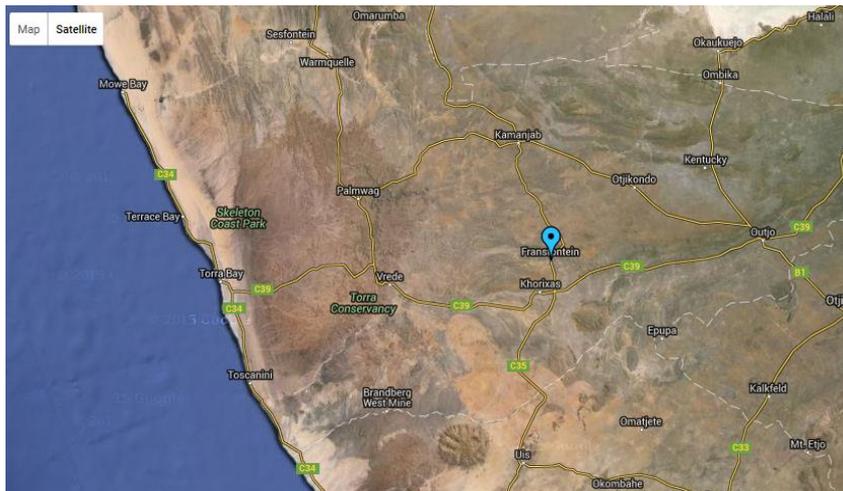
Fransfontein is a typical settlement with a clinic, post office, primary school, a police station and the offices the traditional authority. The settlement has small scale grocers that cater for the locals and surrounding farms. The main attraction at the settlement is the fountain on the outskirts of the settlement that provides water to the entire settlement and it was the reason that this village originated. The water from this fountain supports the agricultural activities of the community and irrigates the community's plantation. The residents depend on their animals and crop-production to support their families. The animals such as goats and cattle are kept on subsistence basis and sold at local auctions for income. The cultivated crops are harvested for own consumption and to a limited extend sold to locals to support the households.

3.8. RESEARCH INSTRUMENTS

A research instrument is what one uses to collect information (data) to answer a research question. It applies to both qualitative and quantitative approaches. It can produce quantitative and/or qualitative data. According to Mustafa. et al. (2008), research works mainly as a result of empirical data, hence the instruments used for selection of data collection are important. Since the study relies on a combination of

qualitative and quantitative data. The questionnaire was designed to elicit responses relating to the participants background such as gender, age, household numbers and education. Furthermore, subject specific questions relating to micro finance services such as loan size, number of loans, awareness of applicable legislation,banking and savings culture were considered. It was also aimed at gathering data to gauge the financial literacy level of the respondents in relation to consumption of financial services available.

The study used both empirical approach of primary literature review and secondary research. A survey was based on the literature review. Theoretical and empirical literature reviews were used in line with the research problem (Omrod, 2005). The researcher used structured questionnaires as tools for data collection which were used to reduce bias.

3.8.1. Questionnaires

This study adopted a quantitative research which used close ended questionnaires as a means to gather information. Polit et al. (2001) asserts that a survey questionnaire is an efficient method to collect data from a large number of respondents. This survey method was also chosen for other reasons; for example cost savings, question form and also the duration of data collection. In addition, a survey questionnaire also allows ample time for respondents to think and decide on the answer themselves. The survey questions of this study were designed by the researcher to obtain necessary information relevant to the study from the respondents. The questions were drafted in line with the research objectives and were divided into four sections.

3.8.2. Questionnaire Design

Section A, dealt with customer demographics which covered gender, age group, level of education, employed sector and tenure.

Section B, dealt with assets owned, number of people in the household, breadwinners, monthly income, frequency of borrowing, the number of active loans and the purpose for borrowing.

Section C, dealt with micro lending regulations, loan interest, type of collateral, use of banking services and savings.

Section D, dealt with borrowers' expectations on micro lenders. The researcher drafted statements to gauge the respondent's level of agreement or disagreement to matters relating micro lending industry. The statements were designed to gain overall perception of the respondents of factors that may contribute to indebtedness. The researcher drafted the statements in line with the objective of the study. that will the respondent to There were eleven questions in this segment. The responses were allotted on a 5 point Likert scale where respondents agreed or disagreed against statements (SA- Strongly agree; A-Agree; N-Neutral; D-Disagree; SD-Strongly disagree).

Figure 1: Five (5) point Likert Scale

Strongly agree	5
Agree	4
Neutral	3
Disagree	2
Strongly disagree	1

Source: Authors' compilation

3.9. PILOT STUDY

A pilot study was conducted to test if the questionnaire would be understood by the participants (Saunders, Lewis & Thornhill, (2003). Prior to undertaking the study, the researcher selected ten (10) colleagues not residence of Fransfontein to complete the questionnaires using the convenience sampling method. The purpose of the study was to determine how long it will take to complete the questionnaires and to how the responses will be captured and processed. No adjustments that were suggested to correct the questionnaire. The outcome of the pilot survey is not included in the findings and has no bearing on the findings of this study.

3.10. RESEARCH PROCEDURES

The quantitative approach was conducted by distributing 120 questionnaires to public servants residing in Fransfontein and 89 questionnaires were returned. Each participant was informed on the purpose of the study and also issued letters of concern explaining the importance of the survey.

3.11. DATA ANALYSIS

Data analysis is a process whereby data is transformed into information that has meaning and contributes to knowledge production (Bogdan & Biklen, 2007).

After data was collected, it was cleaned and coded for ease of entering the variables onto an Excel spreadsheet. The data was then exported to SPSS (Statistical Package of Social Science) software which is designed to analyse quantitative data. The analyses which were conducted included frequencies, cross-tabulations, correlations, group differences and factor analyis. The data was presented in tables and figures in chapter four.

3.12. RESEARCH ETHICS

Resnik (2010:3) points that ethics are norms for conduct that distinguishes between acceptable and unacceptable behaviour. According to Yin (2014) every research study should follow and adhere to an acceptable code as well as legal requirements. The following ethical considerations were adhered to during the research process in order to ensure that the study has credibility and is authentic.

(a) Ensuring participants have given informed consent

The participants were informed about the nature of the research study.

(b) Ensuring no harm comes to participants

The researcher contends that participants were not put at any potential risk by participating in this study, for example, participants responses were reported in a confidential manner and in a way that it would not be obvious for the employer or others to know who provided a specific answer.

(c) Ensuring confidentiality and anonymity

Privacy was maintained through the reporting of the findings of the study. The identities of participants were concealed as the questionnaires were not name tagged and strictly within the researchers secure storage. Reporting was done in such a manner that it did not allow for ready identification and nor ease of access to raw data nor permission for subsequent use of it.

Privacy and confidentiality of respondents was the main concern of the researcher with regards to ethical considerations. Obtaining valid information entailed asking profound questions which are themselves an infringement on the privacy and confidentiality of the respondents. The researcher issued a consent letter to the respondents. The letter stated that the information they give will be kept confidential and that they had right to withdraw from the

study without any harm. The participants were treated with respect and dignity and they were asked for permission in everything the researcher will intend to do.

To avoid being guilty of plagiarism ideas, concepts, theories or words used in this research were acknowledged by using complete references according to the University of Namibia departmental guidelines (Robertson 2013).

3.13. CONCLUSIONS

This chapter presented the research methodology employed in this study. The research methodology and rationale for selecting the particular methodology was discussed including the research design. The target population and sampling strategy used was explained followed by a description on the data collection instrument and how it was constructed. The pilot study as well as the data analysis methods was described including a detailed explanation on how data was coded. Validity and reliability was also discussed.

The following chapter focuses on how data was analysed and interpreted.

<div align="center">**CHAPTER FOUR**</div>

PRESENTATION OF DATA FINDINGS ANALYSIS AND DISCUSSION

4.1. INTRODUCTION

The previous chapter introduced the research and set the scene of what prompted the study and what it would investigate. This chapter summarises the findings of the investigation and provides in-depth analysis of the results.

4.2. RESPONSE RATE

Out of 120 questionnaires, 89 were usable. This is regarded as a good response where more than 50% of the questionnaires are in a usable form (Welman, Kruger & Mitchell, 2005, p.154). This was mainly because the researcher has self-administered the questionnaires.

4.3. DEMOGRAPHICS

The discussion below provides the summary of the general characteristic of the public servants under this study.

4.3.1. Gender

The gender of the respondents had been summarised as bellow on the pie chart.

Figure 2. Gender
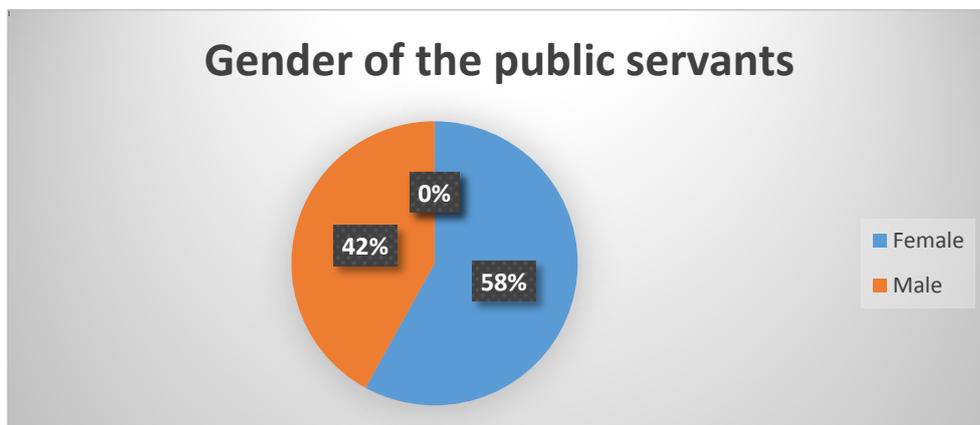
Source: Author's compilation

As presented above the frequency shows that about 58% of the respondents were female and only 42% were male. This shows that public servants in this settlement were dominated by females as compared to the number of males employed. This serves well for the purpose of this study since women spend more of their income to care for households compared to men for the benefit of their families and they will likely supplement their spending with funds from micro lenders. This study revealed that 61% of the respondents were breadwinners and based of the above 35% of the breadwinners of this study were women and about 25% person men. Thus we can conclude the findings of this study was more reflective of female breadwinners in the settlement that were making use of financial services and products available to cater for the well-being of the family.

4.3.2 Age of the respondents
The below graph indicates the age of the respondents.

Figure 3. Age
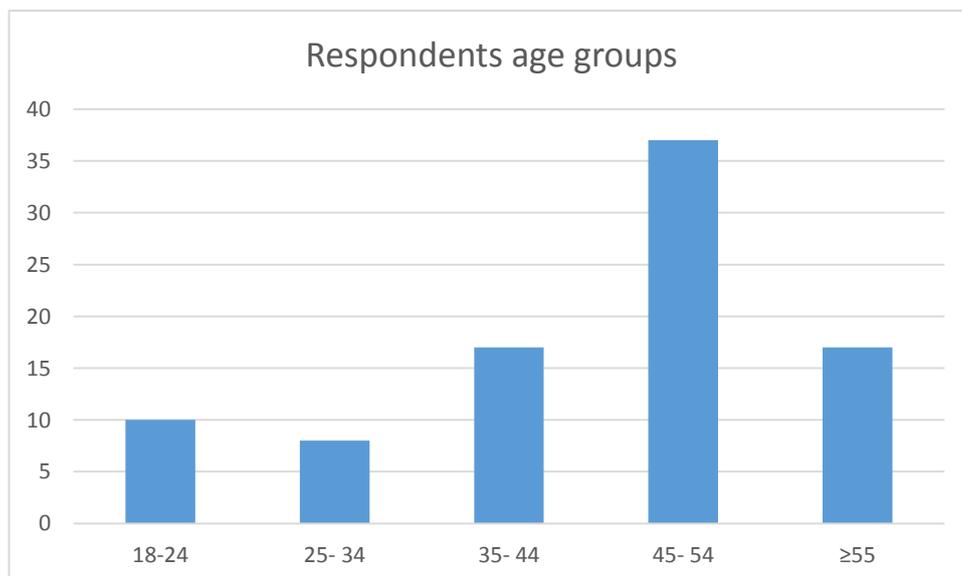
Source: Author's compilation

The graph above summaries the age groups of the respondents were the majority (42%) were in the age of 45-54 years. Economically we can assume that this age group has a high dependency ratio compared to age group like 18-24 years (11%) and 25-34 years (9%) which constituted to 10 and 8 respondents respectively. Theoretical, a high dependency ratio resembles a high spending need and this can be financed by borrowing.

The last group of the respondent fall in the age groups of 35-44 years (19%) and 55+ (19%) with a total of 17 respondents simultaneously. The age of 35-44 are normally referred as after youth stage and in the hypothetical life cycle this group is characterized with initial investment decision. In short, they need money to support their investments. On the other hand, the age groups of 55+ in the hypothetical life cycle were focused towards pension.

4.3.3 Qualifications of the respondents

The below graph depicts the level of education of the respondents.

Figure 4. Education
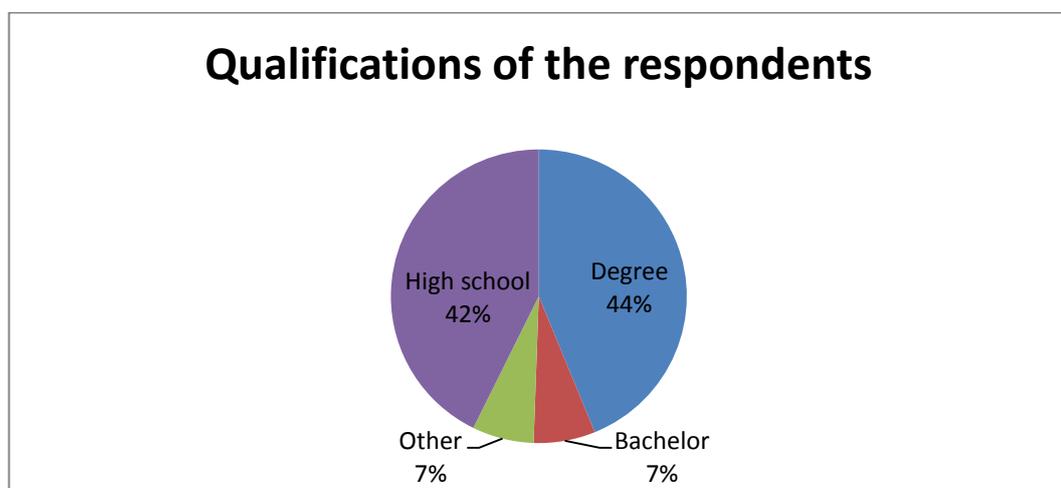
Source: Author's compilation

The above diagram summaries the qualifications of the respondents. The majority of the respondents were educated (51%) thus they were holders of degrees (44%) and postgraduate degrees (7%). The other portion of the respondents 49% had high school diplomas. Through casual observation it was deduced that the level of education of individuals differed and those educated had more information about financial products and services.

Individuals that were not exposed information due to lack of education, relied on advice from peers to make decisions. The understanding of financial products and services is important due to the intangibility of the financial services.

4.3.4. Employment sector

The researcher asked the respondents on their sector of employment on where they worked the results were summarised as follows:

Figure 5. Sector of employment
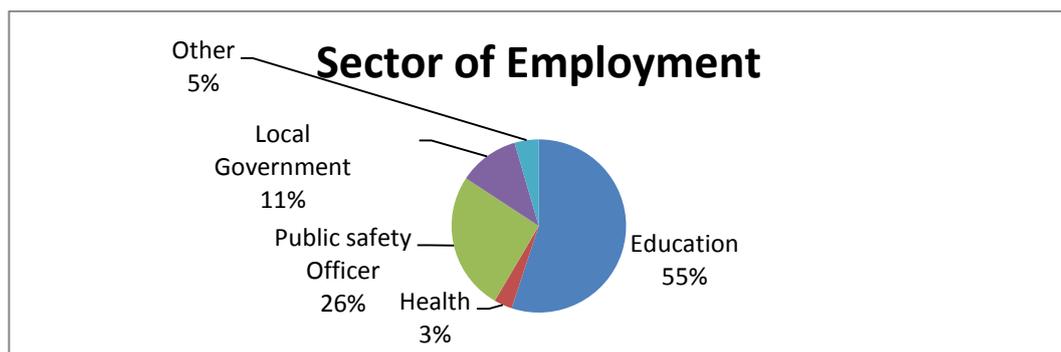
Source: Author's compilation

The Figure 5, above shows the major sectors or employer in settlement under study. The majority of the respondents were in the educational 55%, followed by public

safety officers with 26%, then local government with 11%, health with 3%. Most of the respondents were employed by Ministry of Education and Safety and Security,

The Ministry of Safety and Education combined mostly employ school leavers with only a senior secondary certificate which represent 42% of the respondents. Their understanding of financial products and services might be limited and will affect their financial decisions. The study revealed that respondents that work together borrowed from the same lender. Peer-peer advice and individuals with similar lifestyles and demographic characteristics tend to behave similarly financially.

4.3.5. Employment period

The respondents were asked to specify their duration with the above mentioned sectors and the responses given in these particular questions can be summarized as follows:

Figure 6. Duration of employment
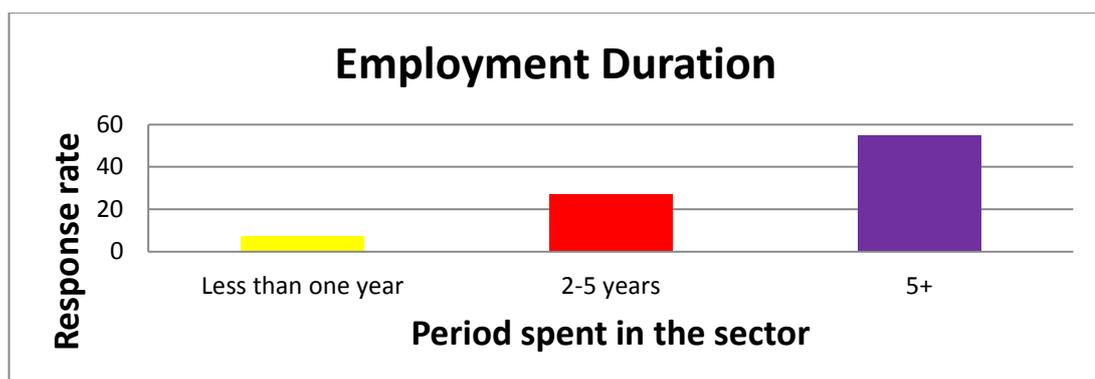
Source: Author's compilation

The figure above summarised the duration by the respondents in different sector, the majority of the respondents served for more than five years within their respective sectors. A representative sample from these groups assists in drawing inferences on the level of indebtedness public servants within the Fransfontein settlement in the

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Kunene region. Out of the 89 respondents 95% were working in their respective sector between 2 and 5 years and 5% were recently employed. Those that have worked longer had more experience on financial products and services offered by financial institutions. Their decisions were based on based previous experiences. Those with less than one year's working experience made decisions on advice from colleagues that worked longer. The outcome will result in common decision-making and similarity of financial problems within the community.

4.4. DETERMINANTS LOAN SIZES

4.4.1. Type of assets owned by the respondents

The researcher enquired about the types of assets they owned to assess their liquidity positions.

Figure 7: Type of assets owned
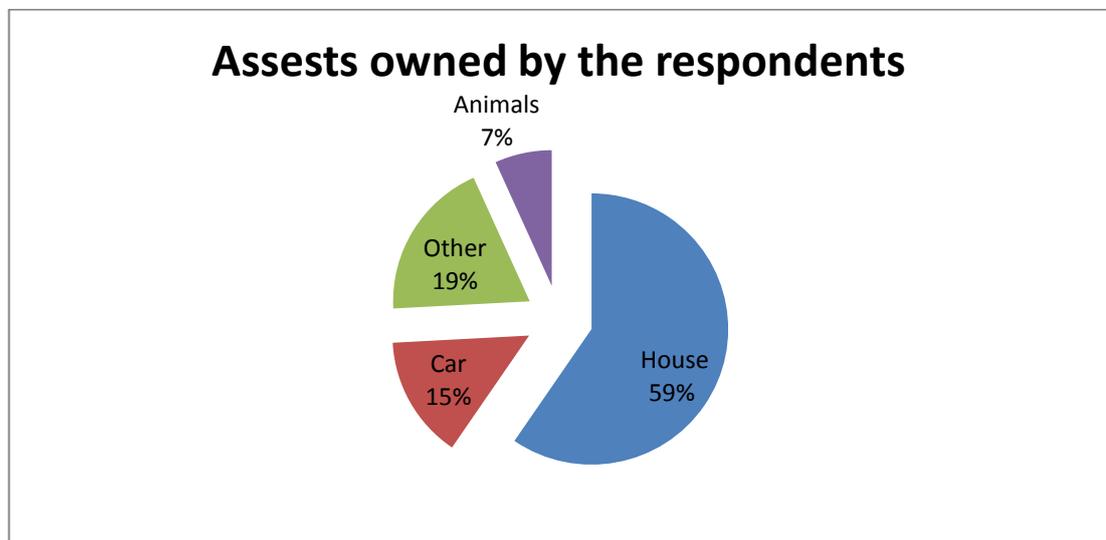
Source: Author's compilation

The majority (74%) of the respondents owned fixed assets and some of these assets were illiquid. A total of 59% stated that they owned a house as the only asset. A house can accumulate some expenses in the form of monthly municipal bills and

maintenance cost, this expenses increase the need for additional funds. This group of respondents may need additional source of funds to finance their expenses. Some of the respondents mentioned that they had cars (15%) and whenever they experienced mechanical problems they used soft loans from moneylenders.

Figure 8: Loan approvals
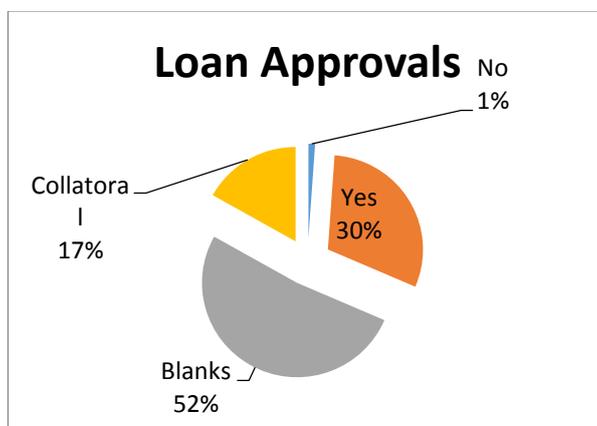
Source: Author's compilation

The study revealed that of the 89 respondents 17% could not obtain loans from financial institutions due to lack of collateral. Figure indicates that 59% of the respondents own houses, these houses were of no value to the lenders primarily because they are located in communal land. The study also revealed that 52% of the public servants that participated in the study never applied for any type of loan.

Home loans are loans from commercial banks to assist people to buy houses, banks lend money on condition of the applicant's good credit record, ability to afford repayments and finding sufficient value in the house to secure a loan. Once a home loan is approved this loan can also be used as source of a low-cost finance for other assets. It provides an opportunity to financially responsible individuals to use their

home loans as a credit facility to finance business opportunities, emergency funding or to buy cars or to purchase other investments. This can be an efficient way of using debt at reasonable interest rates, this may also result in a debt trap if not utilized with due consideration.

A sum of 7% respondents indicated they owned animals as an asset, in order to sustain the animals they needed to buy fodder, vaccinations and to pay for labor and this required funds. The animals cannot generate funds overnight and the future economic benefit is also not guaranteed due to diseases, theft and severe drought. In short, the aforementioned expenditure exhaust the public servants until they are unable to live within the budget. These factors pushed the public servants to acquire loans from micro-lenders.

4.4.2. Dependency level

The pie chart below summarised the responses made by the public servants in connection with factors that determine their loan sizes.

Figure 9**. Breadwinner of the household**
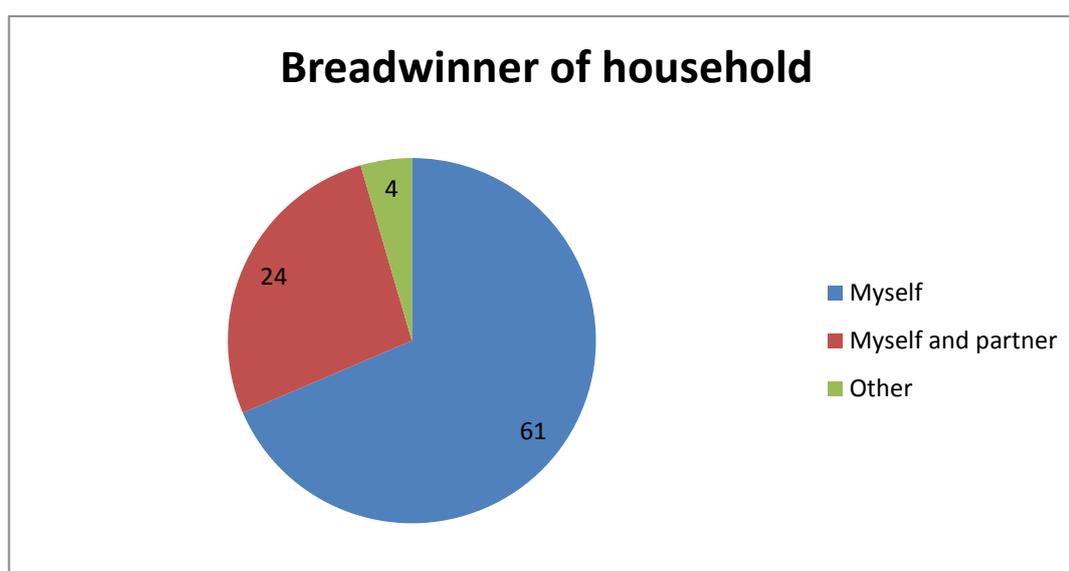
Source: Author's compilation

The majority of the respondents, 69% indicated that they were the breadwinners and this drove them to supplement their spending by borrowing. A total of 5% of respondents were not the breadwinners and did not have large expenditure and their demand loans was lower. The last group of the respondents specified that they were co-habitating with partners and shared responsibilities as breadwinners in their families.

According research conducted by Pew Research Center, about 60 million American citizens between the ages of 30-40 cohabitate. The study further reveals that individuals without tertiary education are most likely to cohabitate and this does not give them much financial benefits. Those living together with only a high school diploma receive equal financial benefits when sharing because their income and responsibilities will be the similar. Similarly individuals without tertiary qualifications live with relatives and cohabitation does not reduce their living expenses. People living together do so to benefit financially as they believe living together will increase their disposable income and reduce individual outlays on expenses.

4.4.3. Level of income

The public servants under the current study were asked to generalize their income levels to determine factors contributing to indebtedness and the responses were as follows:

Figure 2. Income levels

RESPONDENTS INCOME LEVELS
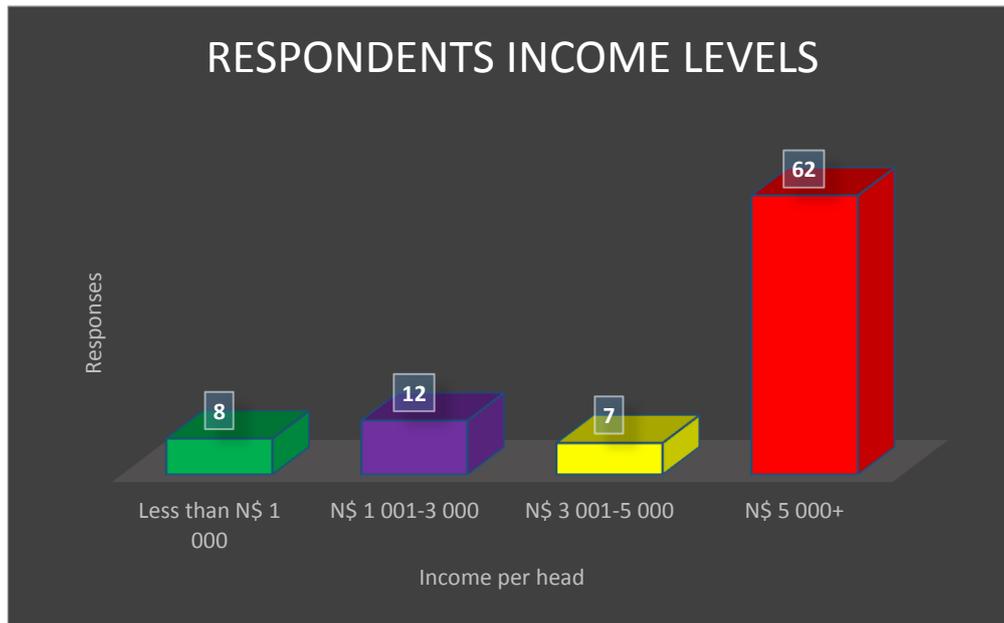
Source: Author's compilation

The majority of the respondents postulated that they earned more than N$5,000.00 monthly. These groups of the respondents were 70% and this signifies that they received enough income compared to those that earned less than N$5,000.00. It is expected that applicant's who apply for loans do not earn enough and intend to cover the cost their needs.

In economics, the marginal propensity to consume (MPC) is a concept used to explain how individuals' consumption is likely to increase with increase in disposable income (Income after taxes). The concept is mathematically expressed as follows:

MPC= d**C**/d**Y**

C= Consumption, Y= Disposable income

The above expression is further simplified as:

MPC= ΔC/ΔY, where ΔC is the change in consumption and ΔY equals disposable income. The effect of increase in income can be illustrated as follows:

Table 4:1Change in income and consumption

Income	Consumption
N$ 3 000	N$ 3 000
N$ 4 500	N$ 4 300

Source: Author's compilation

ΔC=N$ 1 300, ΔY=1 500. Therefore, MPC =ΔC/ΔY= 1300/1500=0.87 or 87%. In this example, if a household earned additional N$1 500 disposable income, and the marginal propensity to consume is 0.87, of the extra income, the household will spend 87 cents and save 13 cents. In view of the above the household cannot spend more than the income (without borrowing). If individuals expect a change in income either from borrowing or salary bonus payments then they have a greater incentive to increase their consumption.

According to the Keynesian theory, MPC would be higher for poorer people than with rich individuals this is because those that are well-off with higher incomes consume a smaller fraction of this income on basic necessities, and correspondingly their average propensity to save will be higher than an individual with a lower income. Therefore the marginal propensity to save as a fraction of their income for well-off individuals is greater than that of the poorer classes.

4.4.4. Size of household

The researcher confirmed the sizes of the household of the public servant under the study to predict whether it's a contributing factor on their drives to seek for loans and the results are as follows:

Figure 3. Size of households
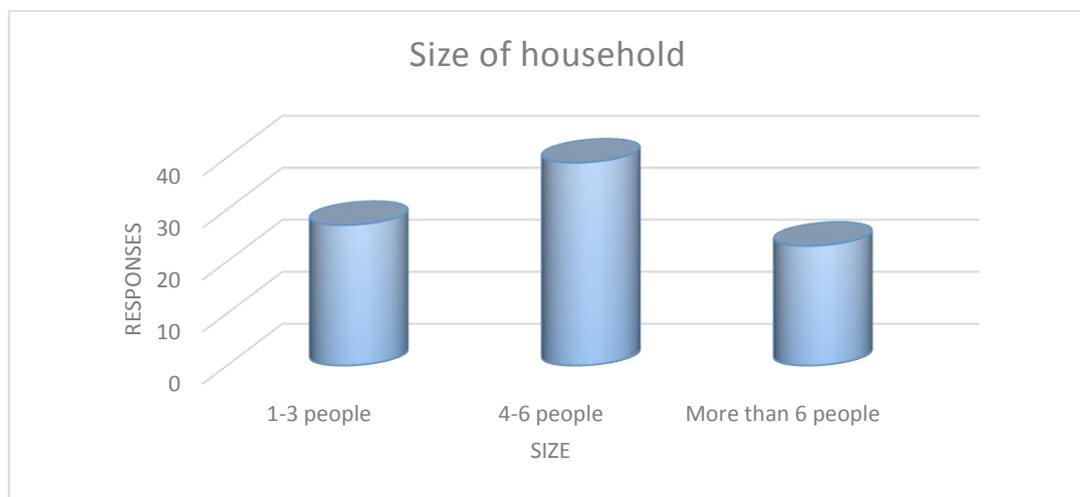
Source: Author's compilation

The dependency of public servants in the settlement under the study was very high. The majority of the servants in this community had four or more people in their household. Total of 44% respondents lived with 4-6 people and 26% lived with more than 6 people. These findings revealed that those with large families needed loans to support and maintain the standard living.

A total of 30% indicated that they had household sizes of 1-3 people and they had low demand for loans due to the small households.

4.4.5. Means of collateral

The public servants in the area under study were examined to determine whether they had enough collateral securities to secure loans and the results in this concern were as follows:

Figure 4. Collateral security
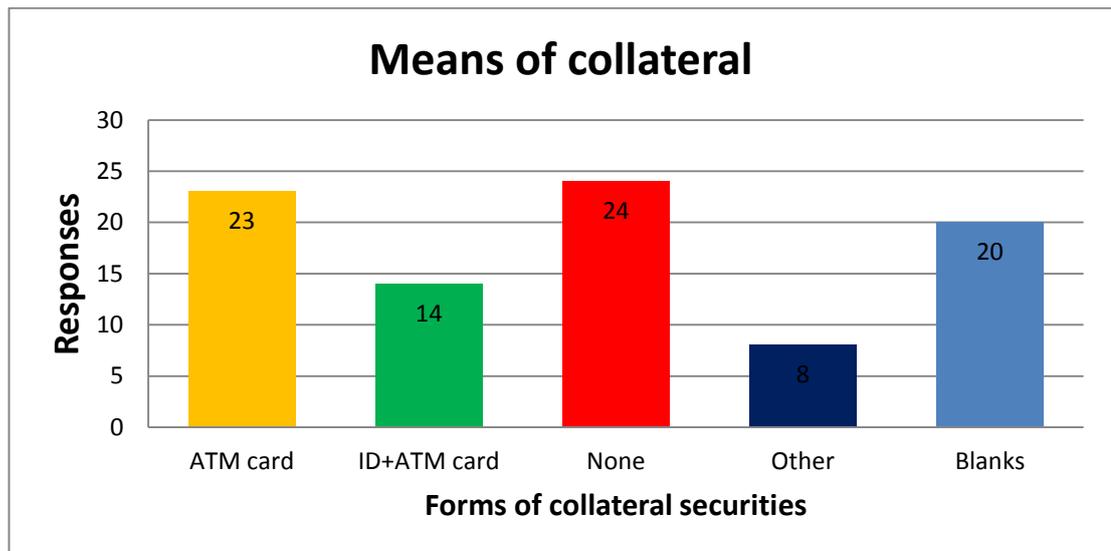
Source: Author's compilation

Figure 4 above depicts the common items accepted by lenders to upon approval of loans. The study revealed 35% of the respondents that that borrowed were not required to surrender any personal items to obtain a loan. A total of twenty (20) respondents of the indicated that they did not borrow from micro lenders, this equals to 22% of the respondents. However from those that borrowed from micro lenders (69), 33% of borrowers indicated that they surrendered ATM cards and pin codes to the lenders in exchange for the funds. The study further reveals that 20% of the borrowers surrendered ATM card and Identification cards upon approval of a loan. A total of 12% gave other means as collateral for the loans. The existing literature on

microfinance indicates that the greatest challenge faced by the lenders is the lack of information on the borrowers.

The lenders are not certain that the loans will be serviced as per agreed schedules and that the monthly income will be able to cover the installments. In view of the above micro lenders used unlawful means of inducing borrowers to surrender personal items and information. Micro lenders model of business is to charge higher interest than commercial banks to compensate the risks of default by the borrowers.

4.5. INDEBTEDNESS OF PUBLIC SERVANTS

The researcher assessed the level of indebtedness of the public servants due to their high dependency of loans and their lack of collateral securities to obtain cheaper loans. The results on this concern are summarised below:

4.5.1. Sources of funds
The public servant indicated their dependence on micro lenders and the results on this concern are as follows:

Figure 5. Micro lenders
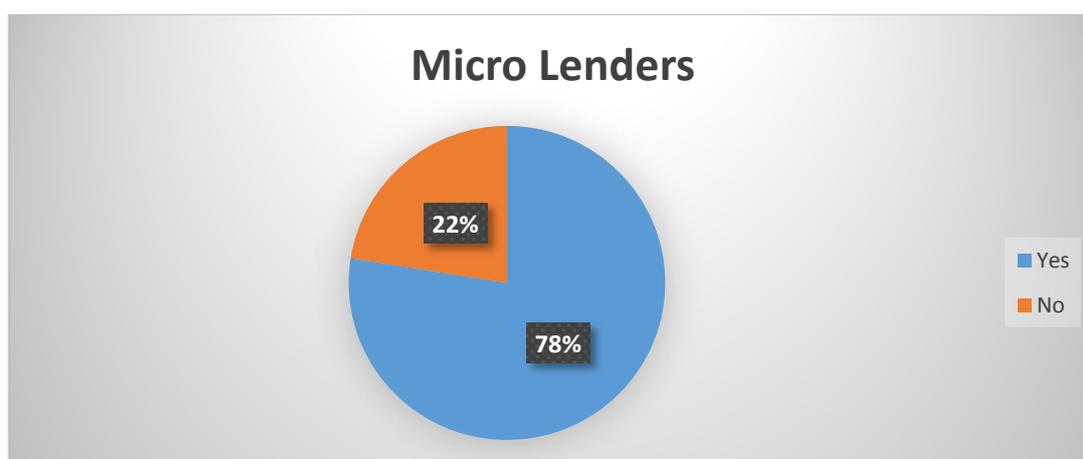
Source: Author's compilation

The majority of the respondents indicated that they depended on funds from micro lenders. The study revealed that 78% borrowed from micro lenders and 22 % of the respondents did not borrow from micro lenders. The number of individual's dependent on borrowing was very high for a poor community. This was an indication that most public servants are living beyond their means and supplement their consumption with costly loans. Borrowing might be a short-term solution for ad hoc expenditure however the cost of these loans in the long-run leads to defaulting on payment and possible loss of assets.

The 22% respondents did not borrow from micro lenders and other sources, they were able to meet their needs with their monthly salary. In current tough and uncertain economy it is best to seek ways to diversify sources of income, regulators can raise interest rates to curb/control borrowing.

Any increase in interest rates will result in increased cost of borrowing and more money will needed for monthly repayments on existing loans. Micro lenders borrow the funds from commercial banks and disperse these funds to those in need of money at cost. The interest rate between the banks and micro lenders is slightly lower than the interest rate quoted by lender to individuals. The study revealed that most lenders charge up to 30% per month, any increase in interest rate by the central bank ultimately be paid by the borrowers. The higher rate is designed to cover the administration cost of issuing loans, bank repayments and the operational cost of the lender.

4.5.2. Frequency of borrowing

The researcher sought to identify the level of indebtedness of the public servants by determining their frequency of borrowing from the moneylenders. The results on this potion were as below:

Figure 6. Frequency of borrowing
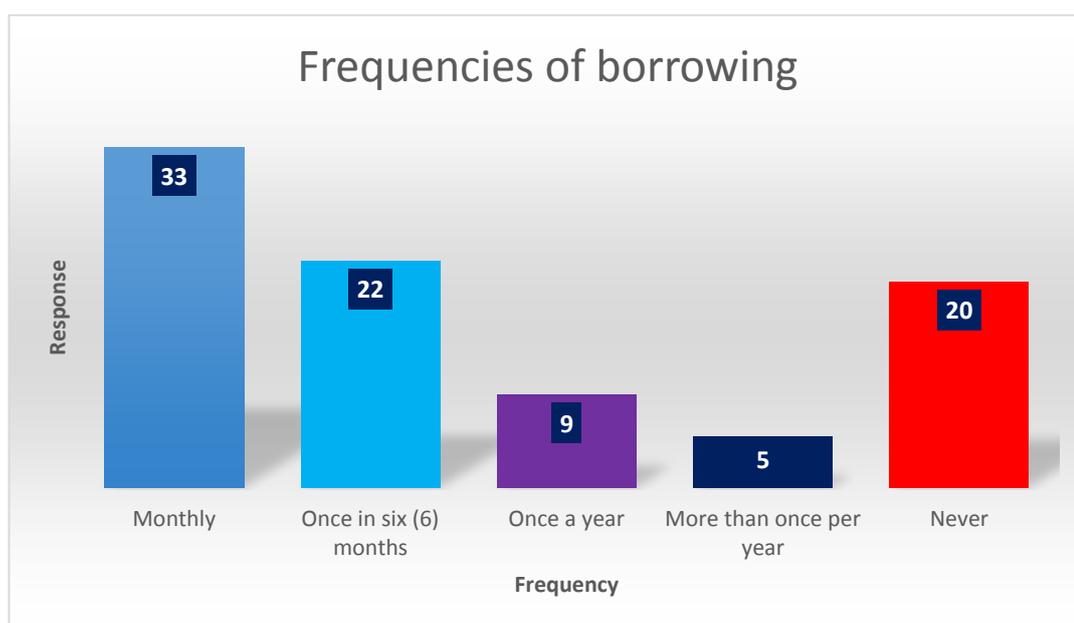
Source: Author's compilation

The graph above indicates the frequency of the respondents borrowing from moneylenders and it revealed that the majority of the public servants borrowed from the money lenders. Literature suggested that if an individual frequently visits a moneylender in search of funds he/she will be increasing his/her debt rather than solving problems due to the costs. A total of 76% of respondents frequently visited the moneylenders and this increased their debt. Only 22% of the targeted population did not seek assistance from the moneylenders. In this view it can be conclude that since the majorities are depended on micro finance, the level of indebtedness of the public servants in this settlement was very high.

4.5.3. Loan repayments

The public servants in the settlement were asked to reaffirm their loan repayment amounts. The respondents' repayments were as follows:

Figure 7. Loan repayment amounts
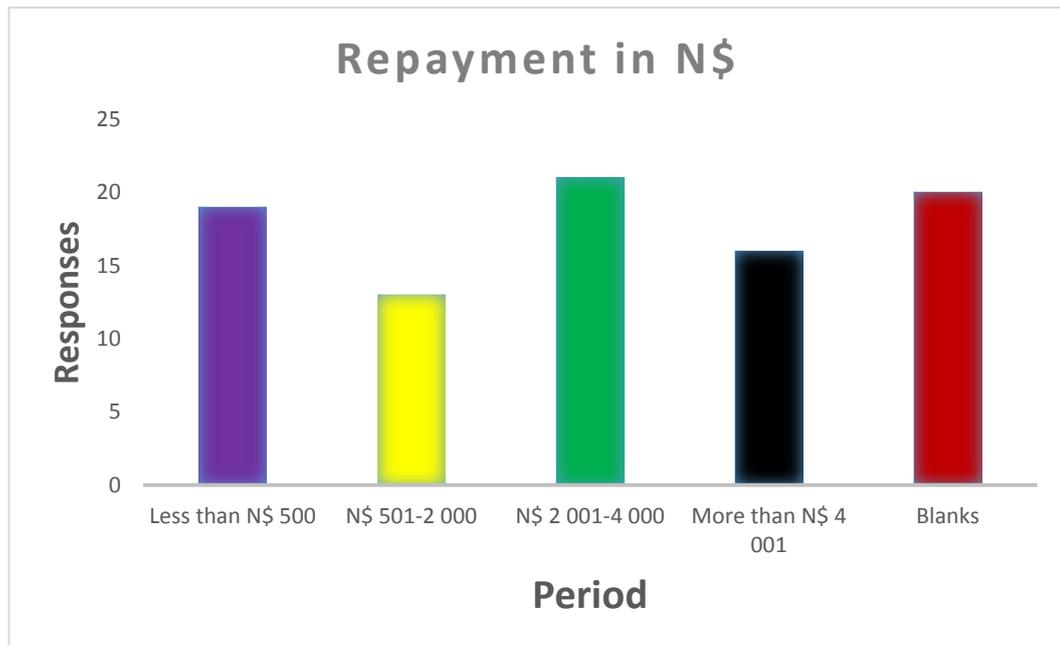
Source: Author's compilation

The study revealed that 42% of the respondents that borrowed make loan repayments ranging from N$2 001-4 000 and 23% borrowed more than N$4 001 from micro lenders. Total of 22% respondents did not have loans to repay.

The above findings revealed that a large number of the public servants under the study confirmed that they paid high amounts. However the amounts borrowed relative to their income in quite high therefore the high repayment amounts. This situation can be explained in the gathered literature that public servants spend much of their incomes on repaying consumption debt funded by extensive borrowing. The individuals borrow from different sources and sit with more than one loan, this could contribute to possible reasons for high monthly repayments.

4.5.4. Number of loans

The researcher queried the respondents about the number of loans per individual. This was to determine whether they were highly indebted. Summary on the results of these remarks were as follows:

Figure 8. Number of loans
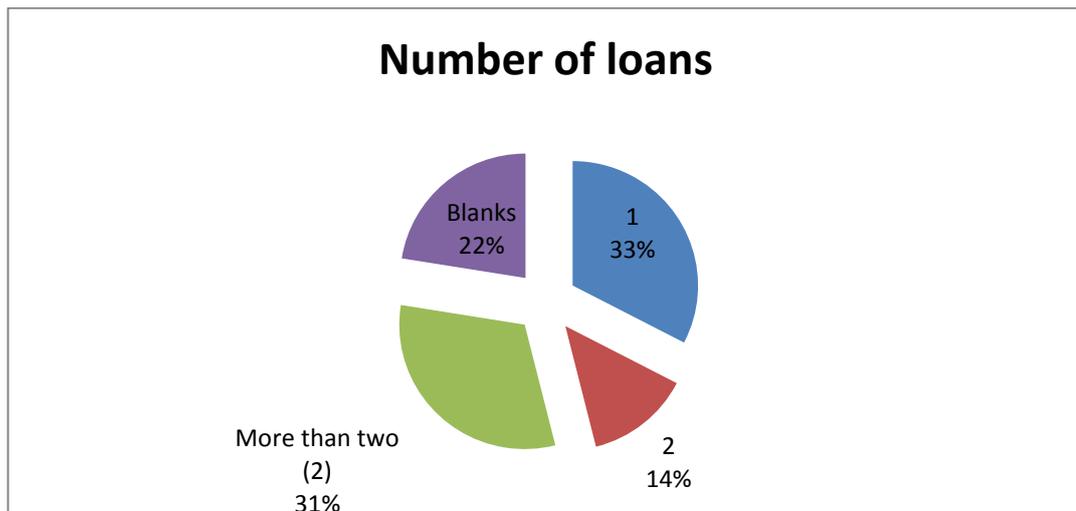
Source: Author's compilation

The study revealed that, most respondents (33%) operated more than two loans at a given period. Due to the fact that moneylenders do not use credit references they approve loans to individuals already in debt. The end result of this scenario lead to public servants servicing more than one loan at a given time.

Respondent with portfolio of one loan at any given time was 33%. The last group of respondents (22%) did not borrow.

4.5.5. Interest rate

The respondents confirmed on the amount of interest they are charged by their moneylenders and the results were follows:

Figure 17. Interest rate charged

Interest charged on loans
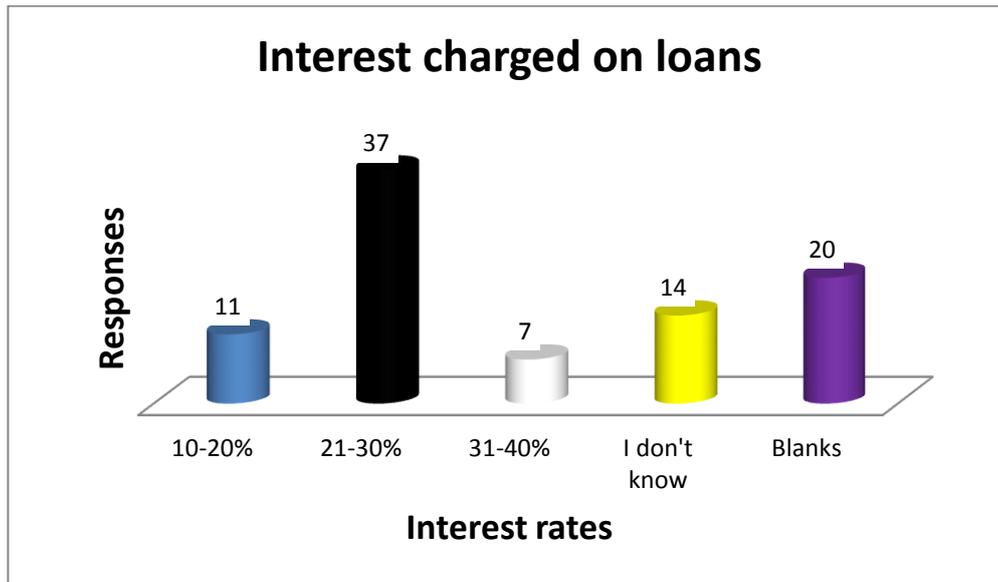
Source: Author's compilation

The graph above depicts the range of interest rates charged by micro-finances and continuously accepted by the borrowers. Typically lenders charge 30% interest on the approved loan. The study revealed that lenders used by the respondents charged acceptable rates. This is confirmed by 54% of the borrowers (37 of 69 respondents) that borrow from the lenders. However 10% indicated that they obtained loans at interest rates between 31-40%. A total of 14 respondents (20%) did not consider interest charged and indicated that they on not know the rate charged by the lenders. High interest rates made it expensive to service the loans from the moneylenders and could trap the public servants into indebtedness.

According to Friedman,(1957) in a normal market higher rate of interest would increase savings to benefit from higher returns resulting in reduced consumption expenditure. This will allow an individual to built-up an asset base and reduce dependency on borrowing to meet shortfalls. An individual's current consumption will depend on the financial and physical assets he owns and the wealth of the individual. The greater the accumulated wealth and assets base of an individual, the

higher his consumption expenditure because he has a greater pool of resources to finance current and future expenditures. Therefore individuals that save portion of their income become less dependent on borrowing at high interest rates and instead earn interest income on the savings.

4.6. THE IMPACT OF MICRO LENDING ON CONSUMPTION

The researcher assessed the impact of the funds obtained from the moneylenders on the consumption levels of the public servants and the results are as summarised below:

4.6.1. Amount borrowed

The amount of funds borrowed by the public servants was used to determine the household's consumption levels. The summary and analysis of these predictions are given below:

Figure 18. Amount borrowed
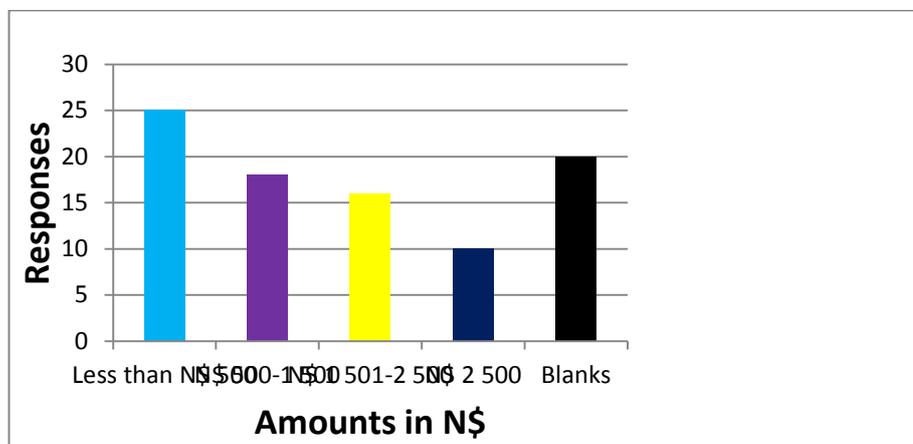
Source: Author's compilation

This study revealed that sixty nine (69 respondents) of the borrowing public servants, earned in excess of N$ 5 000 monthly, above graph clearly indicates that 36% of them borrowed N$ 499, 26% borrowed amounts between N$ 500 and N$ 1 500 and 10% borrowed up to N$ 2 500. These findings reflected the lack of understanding of

cost associated with borrowing. Borrowing amounts less that N$ 500 for consumption or emergencies can be avoided through saving for unexpected events. Lending criteria used by most banks is that expenditure should not exceed 30% of an individual's monthly income. In some cases applicants earning N$ 5 000 but borrowed N$ 2 500, he or she will become dependent on loans to survive. The end product of this type of borrowing is public servants holding more than one loan for consumption and thus being trap in revolving debt.

4.6.2. Purpose of borrowing

The respondents indicated a variety of reasons they acquired loans from the micro-finances. The diagram below summarised some of the reasons they put forward:

Figure 19. Purpose of borrowing
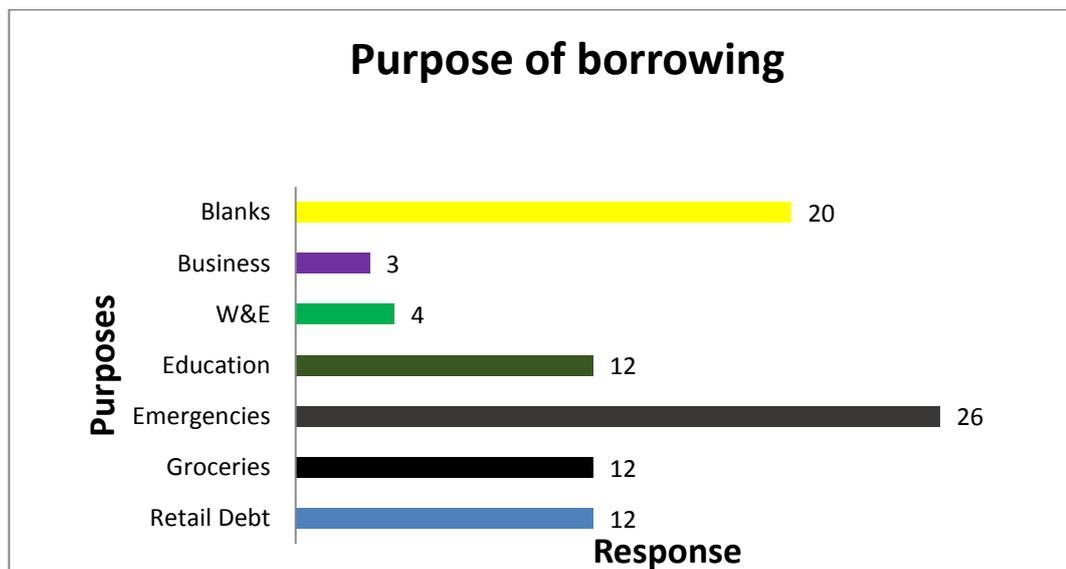
Source: Author's compilation

The study revealed that 26 of the respondents (29%) used the funds borrowed to cover the cost of unexpected events, such as health and transport cost. The study also reveals that 22% of the respondents did not borrow for consumption. The majority (40%) borrowed from lenders to buy groceries, service retail debt and education.

Typical household consisted of more than 6 members and relied on income of one breadwinner thus loans were used to cover cost of living. The moneylenders provided funds to households to finance groceries, luxury goods and debts.

Borrowing to finance retail debt (13%) as a result of buying on credit increases the indebtedness of an individual, failure to pay retail debt may result in loss of an asset due to default. This study revealed that 42% of the respondents had high school diplomas and future investment in education will increase changes of higher income and reduce dependency on borrowing.

The study further revealed that 3% of the respondents used the funds borrowed for business related matters. Borrowing funds to start a business increases the possibility increased profits and thus income for the household. The drawback of a business loan is that, in the event of default or poor cash flows from operations the borrower is still liable to service the loan. Most businesses in rural areas are informal and do not have business plans, however loans are extended to the owners that trade as sole traders. As a sole trader the owner assumes all the business risks and further pledges his assets as collateral to obtain funding. Borrowing reduces an individual's future disposable income and profits due to loan repayments. Borrowing requires collateral and failure to service the debt may result in loss of assets which further pushes the rural communities in poverty.

4.6.3. Knowledge of micro-finance laws

The public servants witnessed that they were not familiar to the laws when applying for loans, the results were follows:

Figure 20. Micro-finance laws

Knowledge Micro lending laws

No 56% Yes 44%
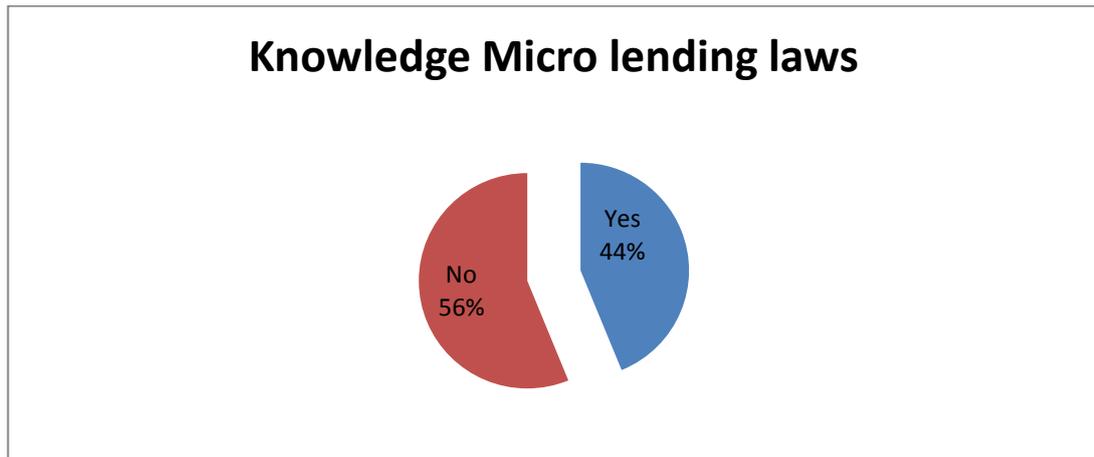
Source: Author's compilation

The above pie chart illustrates the knowledge of the public servants on the micro lending laws. The study revealed that 56% of the respondents were not familiar with the legislation that governs the micro lending industry. These groups of individuals were most likely non-complicated bankers, although they have bank accounts to make use of the products of the commercial banks. Non-existence of banks in remote areas, social and political environment of the community results in individuals making use of micro lenders when in need of additional hassle-free funds. As a result of the above 44% of the respondents were familiar with the lending legislations and borrowed responsibly. The applicants acknowledged that the conditions on which the loans were granted, such surrendering of Identification cards is contrary to the laws they had no alternative that can cater for their needs.

4.6.4. Level of saving

The study revealed that public servants in Fransfontein did not save portions of their income as illustrated in the below graph.

Figure 9: Level of saving
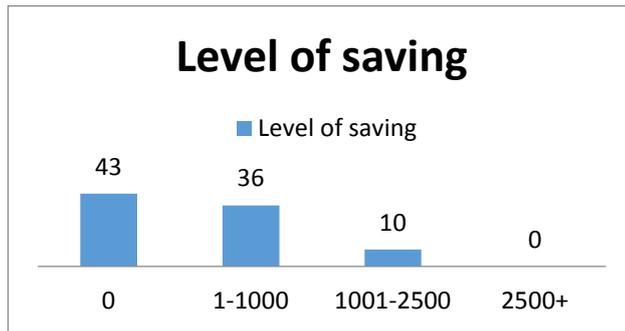
Source: Author's compilation

The above graph illustrates that 48% of the respondents did not save portions of their monthly income. A total of 52% of the respondents indicated that they had savings reserves to cater for future emergencies. This is a further indication that the public servants in the settlement rely on micro lenders to cover cost of emergencies and this further reduces their ability to settle outstanding debts/loans. Should individuals save a portion of their income the reliance on Micro Lenders can be minimized. Savings can be used in other investments such as the opening small scale businesses, earning interest income, paying for education and agricultural activities. Savings accounts are the simplest way to save where cash or deposit held at a financial institution and it usually generates a modest interest rate on the balance. Savings accounts funds are highly liquid, which means cash can be withdrawn easy and they can be used to hold funds that not intended for daily expenditure.

4.6.4. Financial Instruments used for saving

Figure 10: Instruments used for Savings

Instruments to save

■ Instruments to save

Fixed Deposit account	12
	14
Lay-bays for groceries,...	12
	8
None	43
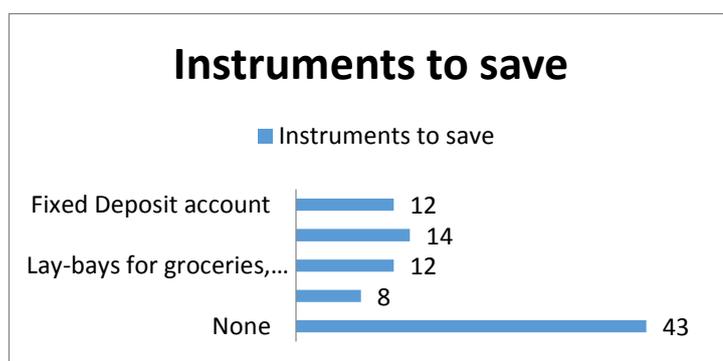
Source: Author's compilation

The above graph depicts that 43 of the 89 respondents did not save portion their income and 16% banked at Nampost for their savings. Nampost provides financial services in most towns in Namibia and is present at most remotely located areas therefore 48% of the respondents had a saving account with Nampost. Of the 89 respondents only 14% make use of fix-tern deposit facilities offered by their bank. This is an indication that community remains unbanked and is not exposed to various products and services of financial institutions.

Table 6. Descriptive statistics on the indicators variables CP1 to CP11, outlining means and standard deviations.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CP1	89	1	5	2.74	1.473
CP2	89	1	5	2.16	1.364
CP3	89	1	5	3.38	1.173
CP4	89	1	5	2.43	1.032
CP5	89	1	5	1.80	1.120
CP6	89	1	5	3.35	1.383
CP7	89	1	5	3.58	1.543
CP8	89	1	5	2.26	1.353

CP9	89	1	5	2.03	1.318
CP10	89	1	5	2.47	1.455
CP11	89	1	5	3.31	1.193
Valid N (listwise)	89				

Source: Author's compilation

Key to the codes

VAR	Statement
CP1	In your opinion is borrowing from Micro lenders serves your daily needs
CP 2	Micro lenders are your only option to borrow money
CP 3	Micro lenders explain the terms and conditions of the loans
CP 4	Interest charged on borrowed amounts is fair
CSC 5	Micro Lenders should be allowed to operate without government oversight
CP 6	Micro lenders encourage people to borrow unlimited amounts
CP 7	Micro lenders should determine affordability and refuse those that already have other loans
CP 8	Micro lenders are the best option to borrow money
CP 9	To surrender ATM cards and personal document as collateral is fair
CP 10	Anyone with access money should be allowed to operate as a Micro Lenders
CP 11	Micro Lenders are exploitative

Note: CP refers to Customer Perspective

CP1, CP2, CP4, CP5, CP8, CP9 and CP10 had a means less than 3 while CP3, CP6, CP7 and CP11 had means greater than 3. A mean value of less than three indicates that respondents generally had a negative perception on that indicator item. CP4 had the lowest standard deviation (1.032), implying that respondents did not have significantly different opinion on this item. CP7 item had the highest standard deviation (1.543) which means that respondents views were highly divergent on this item.

Table 7. Means and standard deviations of the measurements CP1 to CP11.

	Minimum	Maximum	Mean	Std. Deviation
CP1	1	5	2.74	1.473
CP2	1	5	2.16	1.364
CP3	1	5	3.38	1.173
CP4	1	5	2.43	1.032
CP5	1	5	1.80	1.120
CP6	1	5	3.35	1.383
CP7	1	5	3.58	1.543
CP8	1	5	2.26	1.353
CP9	1	5	2.03	1.318
CP10	1	5	2.47	1.455
CP11	1	5	3.31	1.193

Source: Author's compilation

It reveals that CP1 did not on average agree that borrowing from moneylenders serves their daily needs.CP2,CP4 reveals that the participants did not agree that moneylenders were the only option to borrow money. The participants strongly did not agree that microlenders should be allowed to operate without government oversight in CP5. The participants also disagreed to surrender ATM cards and Personal documents as collateral. While CP3,CP6,CP7 and CP11agreed that micro lenders explain the terms and conditions of the loans; that they encourage people to borrow unlimited amounts; that they should determine affordability and refuse those that already have other loans and that micro lenders are exploitative.

4.5. CORRELATION ANALYSIS

Correlation attempts to depict relationship between variables. The Pearson correlation *r* was used to indicate these relationships among the indicator variables as shown in the table below. Correlations of 0.4 and above are considered to be significant (Utts & Heckard, 2007). The Pearson coefficient of correlation is used to

measure the strength of association between variables and tests for a linear relationship between two variables (Keller & Warrack, 2003).

Table 7: Correlation analysis of variables CP1 to CP 11

Correlations

	CP1	CP2	CP3	CP4	CP5	CP6	CP7	CP8	CP9	CP10	CP11
CP1	1										
CP2	.394**	1									
CP3	.327**	-0.017	1								
CP4	0.006	-0.056	0.033	1							
CP5	0.119	0.170	-.243*	0.007	1						
CP6	0.028	-0.090	-0.041	0.038	-0.152	1					
CP7	-0.143	-.319**	.290*	-0.023	-0.187	0.085	1				
CP8	.313**	.563**	-0.127	-0.047	0.185	-0.024	-.394**	1			
CP9	-0.159	0.104	-0.185	.248*	.213*	-0.137	-0.122	.295*	1		
CP10	0.169	.317**	-0.120	0.159	-0.004	-0.167	-0.170	.324*	.460**	1	
CP11	.280*	0.053	.222*	-0.083	-0.037	0.064	.245*	-0.065	-0.151	0.051	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Author's compilation

There was a positive strong relationship between Micro lenders are the best option to borrow money from (CP8) and Micro lenders are your only option to borrow money (CP2) at .56**. A positive strong association between "anyone with access to money should be allowed to operate as a Micro Lenders (CP10)" and "To surrender ATM cards and personal document as collateral (CP9)" at $r = $ .46**. There was a positive moderate relationship between "Micro lenders are your only option to borrow money (CP2)" and "In your opinion, is borrowing from Micro lenders serve your daily needs (CP1)" at $r = $ .39**. There was also a moderate relationship between CP3 "Micro lenders explain the terms and conditions of the loans and CP1"In your

opinion is borrowing from Micro lenders serve your daily needs at r=.32. There was a low relationship between CP1 "In your opinion is borrowing from Micro lenders serve your daily needs" and CP11 "Micro lenders are exploitative" at r=.28.The rest revealed negative relationships between CP2 and CP7 at r =.32**,CP8 "Micro lenders are the best option to borrow money" and CP7" Micro enders should determine affordability and refuse those that already have other loans" at r =39**.

Table 8. Types of accounts respondents preferred as collateral

Group Statistics

	Q23	N	Mean	Std. Deviation	Std. Error Mean
CP1	Cheque	54	2.65	1.481	.202
	Savings	35	2.89	1.471	.249
CP2	Cheque	54	2.15	1.295	.176
	Savings	35	2.17	1.485	.251
CP3	Cheque	54	3.41	1.141	.155
	Savings	35	3.34	1.235	.209
CP4	Cheque	54	2.43	1.039	.141
	Savings	35	2.43	1.037	.175
CP5	Cheque	54	1.85	1.139	.155
	Savings	35	1.71	1.100	.186
CP6	Cheque	54	3.33	1.414	.192

					N	Mean	Std. Dev	Std. Error
				Savings	35	3.37	1.352	.229
CP7 Count				Cheque	54	3.61	1.618	.220
				Savings	35	3.54	1.442	.244

		Q19		
		ATM	ID & ATM	Non
Q12		20	0	0
	-500	0	10	7
	2001-4000	0	10	3
	4001+	0	1	3
	501-2000	0	2	1
Total		20	23	14

		N	Mean	Std. Dev	Std. Error
CP8	Cheque	54	2.39	1.420	.193
	Savings	35	2.06	1.235	.209
CP9	Cheque	54	2.07	1.344	.183
	Savings	35	1.97	1.294	.219
CP10	Cheque	54	2.57	1.525	.207
	Savings	35	2.31	1.345	.227
CP11	Cheque	54	3.33	1.133	.154
	Savings	35	3.29	1.296	.219

Source: Author's compilation

Table 9, illustrates how much of the income respondents spent on repaying loans against the collateral they provided for the loan. It shows that those who (10 out of 25) spent less than N$ 500 and as well as those who spent between N$2000 and N$4000 (10 out of 16) offered ATM cards as collateral. However, those that spent between N$ 501 and N$ 2000 (12 out of 18) offered non collateral for the loans. This implies that the majority of the respondents preferred ATM as collateral or would not proffer any security at all.

Table 10. Q4 *In which sector are employed? Q6 *What type of assets do you own? Q8 How many family members reside permanently at your residence?

Cross tabulation

Count

Q8	Q4		Animals	Car		House		other	Total
						Q6			
1-3p	Q4	Education	2	2	0	7		1	12
		Health	0	0	1	0	0	0	1
		Local G	0	0	0	2	0	1	3
		Other	0	0	0	1	1	1	3
		Public Safety Officer	0	1	2	1	1	2	7
	Total		2	6		13		5	26
1-3P	Q4	E						1	1
	Total							1	1
4-6p	Q4	E	2		0	11		6	19
		H	2		0	0	0	0	2
		LG	0		0	6	0	0	6
		Other	0		0	1	0	0	1
		PSO	0		1	8	1	1	11
	Total		4		1	27		7	39
6+	Q4	E			4	11		2	17
		LG			0	1	0	0	1
		PSO			2	1	0	2	5
	Total				6	13		4	23
Total	Q4	E	4	2	4	21	8	10	49
		H	2	0	1	0	0	0	3
		LG	0	0	0	9	0	1	10
		Other	0	0	0	1	0	0	1
		Other	0	0	0	1	1	1	3
		PSO	0	1	5	10	2	5	23
	Total		6	3	10	53		17	89

Source: Author's compilation

Table 10, Illustrates that the majority of the respondents had houses (53 out of 89) as the main assets followed by motor vehicles (12 out of 89). In sector categories, it can be noted that respondents from education and local government preferred

housing and motor vehicles as the assets. Between 1-3 family members in the education sector,7 out of 12 showed a preference for housing as assets. In the local government sector, 2 out of 3 preferred houses as assets, while in the public safety, 2 out of 3 had the same preference. The table 8, further illustrates that the majority of the respondents had houses (27 out of 39) as assets. Between 4-6 family members, 11 out of 19 respondents in the education sector preferred housing as assets. Where family members were 6 or more, the table illustrates that 53 out of 89 respondents preferred houses as assets with those in the education sector showing 11 out of 17 indicating similar preference.

Table 11.0Q8 * How many family members reside permanently at your residence?Q14 How often do you borrow money from Micro Lenders
Cross tabulation

Count		Q14						Total
		Once in 12 Months	Once in 6 Months	Monthly		More than once p.a	Never	
Q8	1-3People	1	3	11		2	9	26
	1-3P	0	0	0	1	0	0	1
	4-6p	4	13	15	0	1	6	39
	6+	4	6	5	1	2	5	23
Total		9	22	33		5	20	89

Source: Author's compilation

Using Pearson Chi-Square ratio, it was revealed that there is a strong relationship between borrowing and the number of people per house hold (p = .000). In the family members between 1-3,11 out of 26 respondents met monthly payments on money borrowed from the micro lender, and in family members between 4-6,there were 15 out of 39 respondents who made monthly payments. Those with family members between 4-6 and 6+ made out payments once in every 6 months. Overall, the Pearson

Chi-Square ratio indicates that the more the number of family members residing with the respondent, the more the borrowing.

Table 12. Q8 * How many family members reside permanently at your residence? Q9 *What is your monthly net income? Q16 What is your purpose for borrowing?
Cross tabulation

Count

Q16			Q9 -1000	1001-3000	3001-5000	5000+	Total
	Q8	1-3p	2	1	2	4	9
		4-6p	0	0	1	5	6
		6+	2	0	0	3	5
	Total		4	1	3	12	20
Business	Q8	4-6p				3	3
	Total					3	3
Education	Q8	1-3p	0	0		3	3
		4-6p	0	0		3	3
		6+	3	3		0	6
	Total		3	3		6	12
Emergencies	Q8	1-3p	0	1	1	6	8
		1-3P	0	0	0	1	1
		4-6p	0	1	0	11	12
		6+	1	0	1	3	5
	Total		1	2	2	21	26
Groceries	Q8	1-3p		1		3	4
		4-6p		0		4	4
		6+		0		4	4
	Total			1		11	12
retail debt	Q8	1-3p		1	0	0	1
		4-6p		4	0	5	9
		6+		0	1	1	2
	Total			5	1	6	12
W & E	Q8	1-3p			0	1	1
		4-6p			1	1	2
		6+			0	1	1
	Total				1	3	4
Total	Q8	1-3p	2	4	3	17	26
		1-3P	0	0	0	1	1
		4-6p	0	5	2	32	39
		6+	6	3	2	12	23
	Total		8	12	7	62	89

Source: Author's compilation

Table 12. Illustrates that the majority of the respondents (11out of 12) who earn N$5000+ and with 4-6 family members, borrow for emergencies.

Eleven (11) out of twelve (12) borrow for groceries, while 6 out of 12 borrow to pay retail debts. Overall 32 out of 39 respondents comprising of 4-6 family members, 12 out of 23 respondents with the same family member bracket and 12 out of 23 respondents with 6+ family members, use credit to settle emergencies, education and retail debt. It is also noted that these are people earning N$5000+ who use the micro lenders to meet their needs.

Table 14. Income levels

		Weekly	Total Once in six Month	monthly	> than once p.a annum	Never	
Income		0	0	0	0	20	20
spent on	<500	0	11	12	2	0	25
loan	2001-4000	2	4	8	2	0	16
repayment	4001+	1	4	5	0	0	10
(Q12)	501-2000	6	3	8	1	0	18
Total		9	22	33	5	20	89

Source: Author's compilation

Illustrates that the for those who spent less than 500 on loan repayment where 25, (28%) with the majority paying between monthly and once in six months.

Table 16. ISPRLM(Q12) *How much of the income is spent on repaying loans per month? NLCR(Q15) How many loans do you currently have? Crosstabulation

Count

			Number of Loans currently running			
			1	2	>2	Total
Income		20	0	0	0	20
spent on	<500	0	15	3	7	25

repaying	2001-4000	0	3	2	11	16
Loans	4001+	0	1	2	7	10
per	501-2000	0	10	5	3	18
Month						
Total		20	29	12	28	89

Source: Author's compilation

Factor Analysis is a statistical technique used for large numbers of variables to establish whether there is a tendency for groups of them to be inter-related (Bryman & Bell, 2007). An indicator is a measure that is employed to refer to a concept when no direct measure is available (Bryman & Bell, 2007). Multiple-indicator measure is a measure that employs more than one indicator to measure a concept (Bryman & Bell, 2007). Factor analysis is often used with multiple-indicator measures to see if the indicators tend to bunch to form one or more groups of indicators in order to group variables into independent components which are assumed to determine the concept (Bryman & Bell, 2007).

Table 17: Factor Analysis

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.568	23.347	23.347	2.568	23.347	23.347	2.253	20.484	20.484
2	1.804	16.404	39.751	1.804	16.404	39.751	1.725	15.681	36.164
3	1.323	12.024	51.775	1.323	12.024	51.775	1.570	14.275	50.440
4	1.064	9.674	61.449	1.064	9.674	61.449	1.211	11.009	61.449
5	.944	8.586	70.035						
6	.925	8.413	78.448						
7	.688	6.259	84.706						
8	.519	4.721	89.427						

9	.489	4.449	93.876						
10	.390	3.547	97.423						
11	.283	2.577	100.000						

Extraction Method: Principal Component Analysis.

Source: Author's compilation

Factor analysis revealed that the indicator variables can be grouped into four components. The four components are shown had Eigen values greater than one. Component one accounted for 23% while component two accounted for 16% of the variance in the data. Components three and four accounted for 12% and 10% of the variance respectively. The total amount of variance accounted for was 61%, which is an acceptable level of the amount of information extracted in the data.

Table 18. Rotated Component Matrix[a]

	Component			
	1	2	3	4
CP1	.620	.563		
CP2	.796			
CP3		.761		
CP4			.671	
CP5				-.537
CP6				.857
CP7	-.603	.458		
CP8	.796			
CP9			.753	
CP10			.697	
CP11		.674		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Source: Author's compilation

Table 18 indicates that CP1 (.62), CP2 (.80), CP8 (.80) collectively constitute component one, CP3 (.76), CP11 (.67), CP7 (.46) forms component two, CP9 (.75), CP10 (.70) and CP4 (.67) comprise component three while CP5 (-.54) and CP6 are

found in component four. It can be noted that CP2 and CP8 are the drivers of component one, while CP3 controls component two. CP9 leads component 3 whereas CP6 is the main driver of component four.

Group statistics aimed at measuring perceptions differences between and within groups. Using the indicator variables CP1 to CP 11,

Group Statistics

	Q15	N	Mean	Std. Deviation	Std. Error Mean
CP1	1 loan	29	2.90	1.423	.264
	2 loans	12	2.17	1.193	.345
CP2	1	29	1.52	.986	.183
	2	12	2.67	1.497	.432
CP3	1	29	3.62	1.015	.188
	2	12	3.08	1.311	.379
CP4	1	29	2.48	1.022	.190
	2	12	2.33	1.303	.376
CP5	1	29	1.59	.825	.153
	2	12	1.83	1.115	.322
CP6	1	29	3.21	1.346	.250
	2	12	3.92	1.443	.417
CP7	1	29	3.79	1.634	.303
	2	12	3.92	1.084	.313
CP8	1	29	1.62	.862	.160
	2	12	1.92	1.240	.358
CP9	1	29	1.76	1.272	.236
	2	12	2.33	1.371	.396
CP10	1	29	2.21	1.544	.287
	2	12	2.42	1.443	.417
CP11	1	29	3.28	.960	.178
	2	12	3.58	1.443	.417

Source: Author's compilation

Table 19, illustrates that those respondents with 1 or 2 loans, group statistics showed that CP2 is significant different (t=2.9).Those with 1 or more than 2 loans CP2 showed a significant difference at (t=4.3),while CP8 was significantly different at (t=4.9).Those respondents having 2 or more loans showed significant difference for

CP1 (T=2.3) and CP8 (t=2.6).Out of all the 11 groups, only the above showed group differences.

Group Statistics

	Q15	N	Mean	Std. Deviation	Std. Error Mean
CP1	2	12	2.17	1.193	.345
	2+	28	3.29	1.512	.286
CP2	2	12	2.67	1.497	.432
	2+	28	2.89	1.423	.269
CP3	2	12	3.08	1.311	.379
	2+	28	3.29	1.384	.262
CP4	2	12	2.33	1.303	.376
	2+	28	2.32	1.090	.206
CP5	2	12	1.83	1.115	.322
	2+	28	1.93	1.274	.241
CP6	2	12	3.92	1.443	.417
	2+	28	2.96	1.478	.279
CP7	2	12	3.92	1.084	.313
	2+	28	3.36	1.660	.314
CP8	2	12	1.92	1.240	.358
	2+	28	3.14	1.433	.271
CP9	2	12	2.33	1.371	.396
	2+	28	1.89	1.257	.238
CP10	2	12	2.42	1.443	.417
	2+	28	2.89	1.449	.274
CP11	2	12	3.58	1.443	.417
	2+	28	3.50	1.291	.244

Source: Author's compilation

4.6. CONCLUSION

This chapter looked at the analysis and the results of the study. It commenced by highlighting the respondents` demographic data and the continued by discussing the quantitative data components of the study, where by measurement scale used to analysis quantitative data and their results thereof were discussed.

The findings of this study revealed that the majority of the borrowers that borrow from micro lenders were females between the ages of 45 and 54. It was established

that most public servants in the settlement borrowed funds and most mostly used the funds for ad hoc emergencies and for daily needs. The bigger the size of the household the larger the amounts borrowed and the number of loans outstanding. Most of the public servants were breadwinners in a very impoverished rural community thus more funds were needed to cater for all dependents. The study further revealed that the most the public servants did not have access to financial information and education, thus making borrowing a routine activity without fully understanding the long-term effect of extensive borrowing. The participants were not familiar with relevant legislations and do not consider the cost borrowing, their focus was more on the reasons for borrowing. The low level of education and understanding revealed that respondents did not have any problem with the surrendering of Automated Teller Cards (ATM card) and original Identification cards to the lenders. All respondents had bank accounts, having accounts with banks provided cheaper alternatives for borrowing. Limited access to banks products and services resulted individuals making ill-informed financial decisions.

The majority of the respondents had check accounts and used them primarily to receive their salaries and for debit order deductions. These accounts were not used for savings or to buy investment products. Emergency savings can serve a reserve fund for emergencies and also generate interest income on a credit balance. Based on the above the financial institutions require that applicants for loans

The study revealed that most the respondents earned decent salaries to build a good credit history with the banks that could be used by the lenders to determine whether a potential borrower has a history of repaying debt in a timely fashion. The study revealed that the interest rates charged by the micro lenders were reasonably fair.

Considering the settlement is on communal land most respondents indicated they own houses, whilst the properties belong to the government and they did not possess title deeds for the houses. Due ownership status of properties in the settlement, the properties are not accepted as means of collateral by commercial banks. The inability to offer property or other assets as collateral leads to unsuccessful loan applications which further alienates the rural community.

The key finding is that there is no indication that borrowing has improved the lives of the respondents on a consistent basis resulting in constant return to obtain more loans and they were caught in a debt trap. The settlement is ideal for crop production and raising animals, the study revealed that only 7% of the respondents were farmers. Thus the loans taken were mostly for consumption purposes and not for investment or income generating activities. It is worthwhile to mention that borrowing funds for investment purposes such as (a) starting a business, (b) purchasing animals, and (c) crop production, can improve the livelihood of the public servants through income generating opportunities and cheap labor. There is nothing wrong with borrowing, however in order to make use of financial products, individuals should know the pro and cons of such products.

The following chapter covers the conclusion and recommendations of this research study.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter concentrated on data analysis. This chapter will focus on discussions, conclusions, limitations, recommendations and contributions of the study.

5.2. CONCLUSIONS

The research analyzed present day lending practices of micro-lenders and how such practices impacted on the low-income households. It is evident that the low-income households have limited or no access to formal financial institutions, especially banks, due to collateral constraints, asymmetric information and high transaction costs. The survey demonstrated that micro lending, through history, has been viewed as important aspects of assisting the households or communities through access to credit. Financial systems around the world pragmatically acknowledge the richness of centuries of micro lending history and the diversity of institutions serving the low-income and poor households. While there is no doubt that micro-lenders have been found to play an important role of providing credit to the low-income households who are marginalized by the formal financial institutions and/or banks, these lenders use exploitative practices and methods of conducting lending and borrowing business. Although lenders are subject to criticism due to these practices, it becomes apparent that their services continue to be valuable as more low-income households continue to gain access to loans. The question is whether government legislation in Namibia will be able to make it possible to effectively supervise lenders in order to improve their operation or deal with reckless lending or their exploitative practices. There should be some self-regulation by micro lenders, through Microlending

Association of Namibia (MAF) with regards to clients with over-indebtedness however this would mean sharing clients' data across all micro-lenders.

Objective one: To determine public servant decisions for the loans sizes that they acquire.

The findings of this study revealed that decisions to borrow from a micro lender are different from one individual to another. The impetus to borrow is sometimes impulsive in trying to prop ones social status but in most cases it is brought about by trying to finance dependents who need to go to school and to have food. This is exacerbated by emergencies such as sudden illnesses affecting family members. Those who have a large family and in a low income bracket are the ones who are heavily affected. This study showed that 26 of the respondents (29%) used the funds borrowed to cover their emergencies. It was noted that credit problems come up when there is a sudden drop in the income due to shocks in the economy which can force people to bridge against some borrowing from micro lenders. A total of 26% of the respondents acquired the funds for purchasing groceries and to pay their retail debt. These groups constitute 13% of the respondent. To this end, moneylenders enable households to purchase extra groceries and finance their debts with other companies thus increasing the level of consumption funded by debt.

Objective two: To assess the levels of indebtedness by public servants in the Fransfontein.

The findings revealed that most of the low income bracket (below N$ 500 and up to N$ 2500) tend to have multiple borrowing tendencies and hence fail to meet their repayment obligations.The study further revealed that those respondents with 1 or 2 loans, group statistics showed that CP2- **Micro lenders are your only option to borrow**

money is significant different (t=2.9).Those with 1 or more than 2 loans CP2 showed a significant difference at (t=4.3), while CP8 was significantly different at (t=4.9).Those respondents having 2 or more loans showed significant difference for CP1- **In your opinion is borrowing from Micro lenders serves your daily needs** (T=2.3) and CP8- **Micro lenders are the best option to borrow money** (t=2.6).Out of all the 11 groups, only the above showed group differences.

Objective three: To explore the impact of micro lending to public servant consumption habits on public servants in the Fransfontein region.

To achieve this objective a factor analysis was conducted. The findings revealed that 15 in the income bracket below 500 have borrowed from the micro lenders.

This study was aimed to investigate the causes of the indebtedness caused by micro lenders in the Fransfontein. The study unearthed a number of the causes of indebtedness which among others are low salaries, large families and the inability to manage finances. According to the researcher the objectives for this study were achieved.

5.3 RECOMMENDATIONS

In view of the responses received from the respondents and analyses the following is recommended:

(a) Financial Literacy

In order to curb perpetual borrowing government and the central bank needs to come up with a deliberate policy to introduce financial awareness and legislation across the country that would sensitize the citizens on the dangers of borrowing. The awareness programme could teach people on how to manage their finances so that they are not forced to borrow. The target group would be the most vulnerable groups as pointed

out by Orton, 2007; Mandell, 2009; Lusardi and Mitchel, (2006) who states that the lack of financial literacy affects the elderly and the low income groups. The literacy campaigns should be designed in such a way to:

- To financially educate citizens and empower them to make informed financial decisions;

- Engage commercial banks, private and civil society sector to promote financial products and services in remote areas; and

- Create awareness about relevant legislations nationwide, in order for citizens to understand, act upon their rights and make use of suitable recourse mechanisms.

(b) Regulation and control by Bank of Namibia

The BoN should enforce the existing legislation and closely monitor the operations of the micro lenders. Regular inspections should be conducted at all registered micro lenders and those that do not comply should be deregistered. The current high interest rates charged by lenders are the root cause of indebtedness. There is a need to establish a central database for loans granted by microlenders, this will assist in determining which lenders are disbursing funds to those that are already indebted. NAMFISA should establish an effective and consistent enforcement framework relating to micro lending. The new policy must protect borrowers and promote responsible borrowing, lending and provide for incidental matters.

These above will strengthen the powers of NAMFISA relating to the supervision and oversight of microlenders, while contributing to the protection of consumers. Improved supervising and regulations in the industry could lead to the situation

where all the micro-lenders have to be registered with the Micro Lenders Association and therefore establishing a better-controlled industry.

(c) Government to provide loan schemes

The government need to improve the working conditions especially the remunerations of its lower level workforce so that the workers do not fall prey to borrowing and result in failure to repay. Incentives should be put in place by government that encourages saving. It is recommended that rural communities should be given opportunities to obtain interest free loans and training in order to make use of available natural resources. The inhabitants of Fransfontein have access to free water from the fountain that can be utilised for extensive crop production. The community can establish cooperatives with the assistance of Ministry of Agriculture and Forestry, to cultivate and market the crops. This can be additional source of income for the inhabitants that can grow the economy and reduce reliance on lending.

(d) Public servants to cut down on luxuries

There is a need to sensitize and discourage citizens from extensive borrowing to buy luxuries goods. The communities should be educated on essentials of budgeting and living within what is available, borrowing money should be the last resort. It was revealed from the findings that most of those who borrowed owned motor vehicles that are not used on a regular basis. The buying of vehicles exerts more financial pressure on the borrower since the costs of maintenance could be costly. Individuals with surplus income from their monthly salaries should consider buying properties in proclaimed towns for investment purposes and rent properties out for additional income.

5.4. RECOMMENDATIONS FOR FUTURE STUDY

Due to the delimitations of this study, it is recommended that a comparative study be conducted across the country in order to compare the level of indebtedness in Namibia. This will give the policy makers a baseline in which to instigate action plans that will improve the financial status of the low income groups who are attracted to borrow from the micro lenders.

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ANNEXURES

Independent Samples Test

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | 95% Confidence Interval of the Difference | |
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CP1	Equal variances assumed	.243	.624	-1.001	55	.321	-.389	.389	-1.168	.390
	Equal variances not assumed			-1.000	54.495	.322	-.389	.389	-1.169	.391
CP2	Equal variances assumed	9.487	.003	-4.254	55	.000	-1.376	.323	-2.024	-.728
	Equal variances not assumed			-4.228	47.916	.000	-1.376	.325	-2.030	-.721
CP3	Equal variances assumed	7.075	.010	1.045	55	.301	.335	.321	-.308	.978
	Equal variances not assumed			1.039	49.453	.304	.335	.322	-.313	.983
CP4	Equal variances assumed	.073	.788	.577	55	.567	.161	.280	-.399	.722
	Equal variances not assumed			.576	54.450	.567	.161	.280	-.400	.723
CP5	Equal variances assumed	3.452	.069	-1.208	55	.232	-.342	.283	-.910	.225
	Equal variances not assumed			-1.200	45.988	.236	-.342	.285	-.917	.232

CP6	Equal variances assumed	.891	.349	.648	55	.519	.243	.374	-.507	.993
	Equal variances not assumed			.647	54.108	.520	.243	.375	-.509	.994
CP7	Equal variances assumed	.178	.675	.999	55	.322	.436	.436	-.439	1.310
	Equal variances not assumed			.999	54.853	.322	.436	.436	-.439	1.311
CP8	Equal variances assumed	18.716	.000	-4.879	55	.000	-1.522	.312	-2.147	-.897
	Equal variances not assumed			-4.839	44.003	.000	-1.522	.315	-2.156	-.888
CP9	Equal variances assumed	.146	.703	-.401	55	.690	-.134	.335	-.806	.537
	Equal variances not assumed			-.401	54.968	.690	-.134	.335	-.806	.537
CP10	Equal variances assumed	.726	.398	-1.728	55	.090	-.686	.397	-1.481	.109
	Equal variances not assumed			-1.730	54.957	.089	-.686	.396	-1.481	.109
CP11	Equal variances assumed	4.126	.047	-.746	55	.459	-.224	.301	-.827	.378
	Equal variances not assumed			-.742	49.824	.462	-.224	.302	-.831	.383

Group Statistics

	Q15	N	Mean	Std. Deviation	Std. Error Mean
CP1	1	29	2.90	1.423	.264
	2+	28	3.29	1.512	.286
CP2	1	29	1.52	.986	.183
	2+	28	2.89	1.423	.269
CP3	1	29	3.62	1.015	.188
	2+	28	3.29	1.384	.262
CP4	1	29	2.48	1.022	.190
	2+	28	2.32	1.090	.206
CP5	1	29	1.59	.825	.153
	2+	28	1.93	1.274	.241
CP6	1	29	3.21	1.346	.250
	2+	28	2.96	1.478	.279
CP7	1	29	3.79	1.634	.303
	2+	28	3.36	1.660	.314
CP8	1	29	1.62	.862	.160
	2+	28	3.14	1.433	.271
CP9	1	29	1.76	1.272	.236
	2+	28	1.89	1.257	.238
CP10	1	29	2.21	1.544	.287
	2+	28	2.89	1.449	.274
CP11	1	29	3.28	.960	.178
	2+	28	3.50	1.291	.244

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CP1	Equal variances assumed	4.337	.044	-2.273	38	.029	-1.119	.492	-2.116	-.122

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	Equal variances not assumed			-2.500	26.272	.019	-1.119	.448	-2.039	-.200
CP2	Equal variances assumed	.133	.717	-.454	38	.653	-.226	.499	-1.235	.783
	Equal variances not assumed			-.444	19.945	.662	-.226	.509	-1.288	.836
CP3	Equal variances assumed	.364	.550	-.430	38	.669	-.202	.470	-1.155	.750
	Equal variances not assumed			-.440	21.968	.664	-.202	.460	-1.157	.752
CP4	Equal variances assumed	.232	.633	.030	38	.976	.012	.399	-.795	.819
	Equal variances not assumed			.028	17.940	.978	.012	.429	-.889	.913
CP5	Equal variances assumed	.388	.537	-.224	38	.824	-.095	.425	-.955	.764
	Equal variances not assumed			-.237	23.743	.815	-.095	.402	-.925	.735
CP6	Equal variances assumed	.692	.411	1.880	38	.068	.952	.506	-.073	1.978
	Equal variances not assumed			1.899	21.348	.071	.952	.502	-.090	1.994
CP7	Equal variances assumed	10.332	.003	1.070	38	.292	.560	.523	-.499	1.618
	Equal variances not assumed			1.263	31.343	.216	.560	.443	-.344	1.463
CP8	Equal variances assumed	3.013	.091	-2.576	38	.014	-1.226	.476	-2.190	-.262

		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
	Equal variances not assumed			-2.732	23.988	.012	-1.226	.449	-2.153	-.300
CP9	Equal variances assumed	.136	.715	.989	38	.329	.440	.445	-.461	1.342
	Equal variances not assumed			.954	19.338	.352	.440	.462	-.524	1.405
CP10	Equal variances assumed	.023	.881	-.954	38	.346	-.476	.499	-1.487	.535
	Equal variances not assumed			-.955	20.959	.350	-.476	.499	-1.513	.561
CP11	Equal variances assumed	.044	.834	.181	38	.858	.083	.461	-.850	1.017
	Equal variances not assumed			.173	18.929	.865	.083	.483	-.928	1.094

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CP1	Equal variances assumed	3.425	.072	1.561	39	.127	.730	.468	-.216	1.676
	Equal variances not assumed			1.681	24.427	.105	.730	.434	-.165	1.625
CP2	Equal variances assumed	7.901	.008	-2.903	39	.006	-1.149	.396	-1.950	-.348
	Equal variances not assumed			-2.448	15.113	.027	-1.149	.469	-2.149	-.149
CP3	Equal variances assumed	1.991	.166	1.415	39	.165	.537	.380	-.231	1.306
	Equal variances not assumed			1.271	16.722	.221	.537	.423	-.356	1.431
CP4	Equal variances assumed	.503	.482	.393	39	.697	.149	.380	-.620	.919
	Equal variances not assumed			.355	16.886	.727	.149	.421	-.740	1.039
CP5	Equal variances assumed	.662	.421	-.786	39	.436	-.247	.314	-.883	.389

		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
	Equal variances not assumed			-.694	16.218	.498	-.247	.356	-1.002	.507
CP6	Equal variances assumed	.028	.868	-1.504	39	.141	-.710	.472	-1.664	.244
	Equal variances not assumed			-1.461	19.361	.160	-.710	.486	-1.726	.306
CP7	Equal variances assumed	6.936	.012	-.240	39	.812	-.124	.515	-1.165	.917
	Equal variances not assumed			-.284	30.745	.779	-.124	.436	-1.013	.766
CP8	Equal variances assumed	1.265	.268	-.877	39	.386	-.296	.338	-.979	.387
	Equal variances not assumed			-.755	15.598	.462	-.296	.392	-1.129	.537
CP9	Equal variances assumed	.373	.545	-1.287	39	.206	-.575	.446	-1.478	.328
	Equal variances not assumed			-1.247	19.276	.227	-.575	.461	-1.538	.389
CP10	Equal variances assumed	.710	.404	-.403	39	.689	-.210	.520	-1.263	.843
	Equal variances not assumed			-.415	21.951	.682	-.210	.506	-1.259	.839
CP11	Equal variances assumed	2.951	.094	-.802	39	.428	-.307	.384	-1.083	.468

Equal variances not assumed			-.678	15.194	.508	-.307	.453	-1.272	.657

INVESTIGATION INTO FACTORS CONTRIBUTING TO INDEBTEDNESS OF PUBLIC SERVANTS IN FRANSFONTEIN THROUGH MICRO-LENDING: CASE STUDY FOR FRANSFONTEIN SETTLEMENT, KUNENE REGION

CONDUCTED BY MS. ERICH ERWIN MBARANDONGA

Introduction

My name is Erich Erwin Mbarandonga a student at University Of Namibia, presently studying towards a Master in Business Administration (MBA). Henceforth, I am undertaking a research within the public servants residing in Fransfontein. This questionnaire seeks to assess why public servants in rural areas borrow money and from whom they borrow these funds. Your participation in this research survey is voluntary. If you decide to participate in this research survey your responses will be treated as confidential and you are allowed to withdraw at any time. Thank you for taking time to answer the questions.

Contact details: +264 81 2507803, erich.mbara@gmail.com

Thank you for your TIME!

PART (A)

SECTION A: CUSTOMER DEMOGRAPHICS

Please consider answering the following questions which concern your personal details.

Question 1: What is your gender?

☐ Male   ☐ Female

Question 2: What is your age group?

☐ 18-24   ☐ 25-34 years   ☐ 35-44 years

☐ 45-54 years

☐ 55 years or above

Question 3: What is your level of education?

☐ High School   ☐ Diploma   ☐ Bachelors degree

☐ Other

Question 4: In which sector are you employed?

☐ Education   ☐ Public Safety Officer   ☐ Local Government

☐ Health   ☐ Other

Question 5: How long have been working?

☐ Less than 1 year   ☐ 2-5 years   ☐ More than 5 years

SECTION B:

Question 6: What type of assets do you own?

☐ Car   ☐ House   ☐ Farm animals

☐ Other

Question 7: Who is the breadwinner in your household?

☐ Myself   ☐ Myself and partner   ☐ Other

Question 8: How many family members reside permanently at your residence?

☐ 1-3   ☐ 4-6   ☐ More than 6

Question 8: What is your monthly net income?

☐ Less than N$ 1000   ☐ N$ 1001-3000   ☐ N$ 3001-5000

☐ N$ 5000 and above

Question 10: Have you borrowed money from a Micro Lender?

☐ Yes   ☐ No

Question 11: If the answer is **Yes** on Question 10, Provide name of the Lender/institution?

…………………………………………………

Question 12: How much of the income is spent on repaying loans per month?

☐ Less than N$ 500   ☐ N$ 501-2000   ◌ N$ 2001-4000

☐ N$ 4001 and above

Question 13: How much do you borrow per month?

☐ Less than N$ 500   ☐ N$ 500-1500   ☐ N$ 1501-2500
☐ More than N$ 2500

Question 14: How often to you borrow money from Micro Lenders?

☐ Weekly   ☐ Monthly   ☐ Atleast once in six months
☐ More than once in per annum   ☐ Never

Question 15: How many running loans do you currently have?

☐ 1   ☐ 2   ☐ More than 2

Question 16: What is your purpose for borrowing?

☐ Groceries   ☐ Emegencies (Funerals)
☐ Water and Electricity   ☐ Retail debt   ☐ Education
☐ Business

SECTION C

Question 17: Are you familiar with Micro lending regulations?

☐ Yes   ☐ No

Question 18: How much interest do you pay on your loan?

☐ 10-20%   ☐ 21-30%   ☐ 31-40%   ☐ I don't know

Question 19: What type of collateral do you provide for your loan?

☐ ATM card   ☐ ID and ATM card   ☐ Other   ☐ None

Question 20: Is your Micro Lender registered?

☐ Yes ☐ No ☐ I don't know

Question 21: Have you applied for a loan at other financial institutions?

☐ Yes ☐ No

Question 22: Was it approved?

☐ Yes ☐ No...(reasons).......................

Question 23: What type of banking account do you have?

Savings Cheque

Question 24: Which of the following facilities have you used at your bank in the last 12 months?

Savings Receive electronic salary payments Pay debit orders

Draw cheques

Question 25: What instrument do you use to save?

Fixed Deposit account Life insurance Lay-byes for groceries, clothes, appliances

NamPost None

Question 26: Approximately how much do you save monthly?

☐ N$ 0 ☐ N$ 1-1000 ☐ N$ 1001-2 500
☐ More than N$ 2500

Question 27: What are you saving for?

☐ Car ☐ Emegencies (Funerals)
☐ Retirement ☐ Furniture/appliances ☐ Education
☐ Groceries

SECTION D:

Please indicate the number on the scale that best represents the extent to which you agree or disagree with the given statements.

5 = Strongly agree, 4 = Agree, 3 =Not sure, 2 = Disagree, 1 = Strongly disagree.

Please circle the appropriate number.

VAR	Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
CP1	In your opinion is borrowing from Micro lenders serves your daily needs					
CP 2	Micro lenders are your only option to borrow money	5	4	3	2	1
CP 3	Micro lenders explain the terms and conditions of the loans	5	4	3	2	1
CP 4	Interest charged on borrowed amounts is fair	5	4	3	2	1
CSC 5	Micro Lenders should be allowed to operate without government oversight	5	4	3	2	1
CP 6	Micro lenders encourage people to borrow unlimited amounts	5	4	3	2	1
CP 7	Micro lenders should determine affordability and refuse those that already have other loans	5	4	3	2	1
CP 8	Micro lenders are the best option to borrow money	5	4	3	2	1
CP 9	To surrender ATM cards and personal document as collateral is fair	5	4	3	2	1
CP 10	Anyone with access money should be allowed to operate as a Micro Lenders	5	4	3	2	1
CP 11	Micro Lenders are exploitative	5	4	3	2	1

NBS
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UNAM
UNIVERSITY OF NAMIBIA

Informed Consent Form for Investigation Into Factors Contributing To Indebtedness Of Public Servants In Rural Communities Through Micro-Lending: Case Study Of Transfontein Settlement, Kunene Region

Name of Principle Investigator: Mr. Erich Irwin Mbarandonga
Name of Organization: University of Namibia
Name of Sponsor: None
Name of Project and Version: A thesis submitted in partial fulfilment of the requirement for degree of Masters of Business Administration

Part I: Information Sheet

Introduction

I am undertaking a research within the public servants residing in Transfontein Settlement in Kunene Region. The self-administered questionnaire seeks to assess why public servants in rural areas borrow money and from whom they borrow these funds. Participants in this research survey are voluntary and research survey your responses will be treated as confidential and you are allowed to withdraw at any time.

Purpose of the research

The main aim of this research is to evaluate the levels of the indebtedness of rural households in the low income socioeconomic groups and to inform the regulators about the exploitative nature of moneylenders who place the poor households in a debt spiral. In order to analyze the spiraling of debt in rural communities, the following four objectives were addressed:

I. To determine public servant decisions for the loans sizes that they acquire ;
II. To assess the levels of indebtedness at public servant level by public servants;
III. To explore the impact of micro lending to public servant consumption habits;
IV. To investigate if participation in microfinance programs significantly reduces household vulnerability to poverty.

Type of Research Intervention
The research will be conducted with aid of a self-administered questionnaires.

Participant Selection
The participants selected are public servants employed at the Settlement at the Clinic, Primary school, Village Council, Agriculture Extension Office, Police Station and Traditional Authority Office.

Voluntary Participation
Participation in this survey is voluntary and potential respondents may choose not to return the questionnaires.

Procedures
Provide a brief introduction to the format of the research study.

The survey questions aim to obtain demographic information education level and financial habits of the respondents. Some of the information may be deemed personal, however the information is very important in analysis of the research. The survey documents do not reflect the name of the respondents and should be

Page 1 of 2

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07 November 2016

TO WHOM IT MAY CONCERN

Mr Erich Mbarandongo, Student Number: 9823492 is registered for a Master in Business Administration – Management Strategy at the University of Namibia through the Namibia Business School.

This letter serves to inform you that his research proposal was reviewed and successfully met the University of Namibia requirements.

The student has been granted permission to carry out postgraduate studies research. The University of Namibia has approved the research to be carried out by the student for purposes of fulfilling the requirements of the degree being pursued.
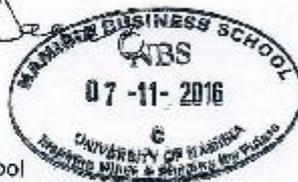
If you have any queries please do not hesitate to contact the Business School at the University of Namibia.

Thank you so much in advance and many regards.

Yours sincerely
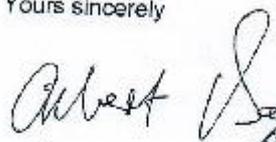
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