



# **Women's Economic Empowerment through Village Banking: Evidence from Kaunda Square Stage One, Lusaka**

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## **Authors' contributions**

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

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## **ABSTRACT**

Women in many developing countries remain excluded from mainstream economic growth, prompting targeted strategies to enhance participation. Evidence on village banking in urban Zambia is limited. This study examines the impact of village banking on women's economic well-being in Kaunda Square, Lusaka.

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Using a convergent mixed-methods, descriptive cross-sectional design, we collected structured survey data and semi-structured interviews concurrently from 90 randomly selected participants. Descriptive statistics and thematic analysis show that access to small loans and collective savings is associated with gains in household income, business expansion, healthcare access, and children's education, an indication that village banking can meaningfully foster women's economic independence in urban contexts. However, the study also identified operational constraints such as short repayment cycles and weak record-keeping which may dampen sustainability. We recommend strengthening financial literacy, extending repayment periods, and instituting robust governance and accountability mechanisms. By providing context-specific evidence from an under-researched urban setting, the study contributes to debates on women's economic empowerment and offers practical guidance for policymakers, microfinance institutions, and development partners designing inclusive, sustainable financial interventions.

**Keywords:** *Village banking; women's economic empowerment; microfinance; financial inclusion; urban informal economy.*

## 1. INTRODUCTION

In recent years, there has been growing recognition of women's empowerment as a key catalyst for economic development, particularly in rural and underserved areas globally (Nihangaza & Kwizera, 2023). At the forefront of efforts to promote this empowerment is microfinance, alternatively referred to as community banking (Mponzi et al, 2023). Microfinance is the delivery of financial services such as credit, savings, insurance, and payment services to individuals or groups with limited access to traditional banking, aiming to foster entrepreneurship, economic independence, and poverty reduction" (Smith et al., 2023). The strategic targeting of microfinance to women has been intended to enhance loan repayment as well as non-financial outcomes, such as household food security and children's nutrition, survival, and schooling. Women's membership in microfinance may increase their financial skills and access to financial markets (Yount et al., 2021). At its core, microfinance also known as village banking in some literature, represents a grassroots approach to financial inclusion, offering small loans, savings facilities, and other financial services to individuals who lack access to traditional banking institutions (Sibeso, 2022). These services are often provided through community-based organisations or cooperatives, allowing members to pool their resources and support one another in their entrepreneurial endeavours (Tan et al, 2024).

However, the intersection of village banking and women's empowerment raises complex questions and sparks debates within academic circles and development agencies (Amreen et al., 2024). On the one hand, proponents argue

that village banking can be a powerful tool for advancing gender equality by providing women with the financial resources and autonomy needed to start businesses, invest in education, and assert greater control over their lives (Siamabele & Phiri, 2021; Noreen, 2023). Women's empowerment is very important to achieve greater gender equality. In addition, there are another goal of women's empowerment is to remove poverty in society (Akter et al., 2021).

For instance, a study by Duflo et al. (2015) found that participation in microfinance programs led to a significant increase in women's empowerment, as measured by indicators such as decision-making power within the household and access to resources. For meaningful participation to be seen, communities ought to understand the importance of participation and its purpose. This will enhance their interest and help them know reasons why they should take an interest in microfinance programs as they define their livelihoods (Siamabele, 2019). Similarly, Kabeer (2005) highlights the transformative potential of microfinance in challenging traditional gender roles and empowering women to participate more actively in economic activities. Evidence from rural Bangladesh also suggests that pairing microfinance with communication tools like mobile phones can further amplify women's agency by improving access to markets, networks, and information (Aminuzzaman, Baldersheim, & Jamil, 2003). Likewise, globalization and rapid technological change can reshape how marginalized groups, including women, engage with financial systems, influencing their capacity to adapt, access information, and benefit from initiatives like village banking (Simoonga & Chimfwembe,

2023). This financial inclusion is particularly significant for women, who often face systemic barriers in accessing resources and opportunities due to cultural norms and socio-economic constraints (Ali, 2024). Moreover, a study by Ngwembano (2023) adds that the relationship between improvements in living standards and village banking is rather positive.

Recent debates have focused on the sustainability of microfinance and its gender empowerment outcomes in the digital era. Scholars such as Alam and Rahman (2023) and Chisala (2024) argue that while digitalization can improve outreach and efficiency, it may inadvertently exclude women with limited access to technology or low digital literacy. UN Women (2023) emphasizes that unless these digital divides are addressed, the gender gap in financial inclusion may widen despite increased availability of microfinance services.

On the other hand, critics raise concerns about the effectiveness and sustainability of village banking initiatives, particularly in terms of their impact on women's empowerment (Kivalya & Montes, 2024). Some argue that while microfinance may provide temporary relief from poverty, it often fails to address the underlying structural barriers that perpetuate gender inequality, such as limited access to education, healthcare, and property rights (Bateman, 2010). Further, Copestake (2002) argued that village banking and similar microcredit initiatives can exacerbate economic inequality within communities while Dichter (2006) argued that village banking often fails to deliver sustainable economic development and can create dependency on credit rather than fostering genuine entrepreneurial growth. Additionally, there are concerns about the potential for microfinance to increase women's vulnerability to debt and exploitation, particularly in contexts where interest rates are high and repayment requirements are stringent especially amidst different constraining factors like COVID-19 and climate change (Mojakisane et al., 2023; Morduch et al., 2023).

In light of these debates and concerns, it is evident that village banking and women's empowerment constitute a rich and multifaceted area of study that merits further exploration. By delving into the complexities of this relationship, researchers can gain valuable insights into the mechanisms through which microfinance impacts women's lives, as well as the factors that shape its effectiveness in different contexts (Choudhary

& Jain, 2023). Moreover, a deeper understanding of these issues can inform the design and implementation of more inclusive and gender-responsive development interventions, ultimately contributing to the broader goal of sustainable and equitable development.

## 2. RESEARCH CONTEXT

Village banking emerged from the longstanding necessity for mutual financial support and trust within tightly knit communities. It arose as a grassroots remedy to offer accessible financial services, particularly in regions lacking or inadequately served by formal banking institutions (Hossein & Bonsu, 2023). Village banking, also known as community banking or group lending, has emerged as a vital mechanism for providing access to credit and financial services in underserved and rural communities (Sibeso, 2022). Originating in Bolivia in 1984, the concept was introduced to Africa in 1992 with the launch of the first village banking program in Uganda (FINCA, 2024). Over the past two decades, village banking has gained prominence as a tool for economic and social growth, particularly for marginalised groups such as women (Bank of Zambia, 2020; Siamabele & Phiri, 2021).

Institutional reports released after COVID-19 provide a fresh perspective on village banking's role in economic recovery. The World Bank's Global Findex Database (2021) shows that although the pandemic accelerated digital financial services, women in low-income urban areas remained disproportionately excluded from these opportunities. Similarly, the African Development Bank (2023) highlights the importance of tailored financial inclusion strategies for women-led enterprises in post-pandemic contexts, while UN Women (2022) underscores the role of grassroots banking models in bridging access gaps. Scholars have offered various perspectives on village banking, highlighting its role as a self-sustaining financial institution within communities aimed at providing essential banking services (Jones & Dallimore, 2013; Kukano & Kantchewa, 2023; Deelen & Majurin, 2018). Despite differing definitions, all perspectives emphasize the importance of active member involvement and extending financial access to underserved populations, particularly those in remote areas.

Women, who often face significant barriers to accessing financial services and formal banking systems, stand to benefit greatly from village

banking initiatives (Kesanta & Andre, 2015). By pooling resources in small groups, women can access loans and financial services, fostering economic independence and empowerment (Mashigo & Kabir, 2016). Recognizing the pivotal role of women in economic development, international organisations such as USAID advocate for women's entrepreneurship and economic empowerment to achieve comprehensive economic growth (USAID, 2020). Moreover, village banking has been recognised as a valuable tool for poverty alleviation, women's empowerment, and economic growth. The United States Agency for International Development (2020) stated that empowering women to engage fully in civic and economic activities leads to greater prosperity and peace in societies. Women are disproportionately affected by poverty, facing disparities in income, wages, and access to financial resources, asset ownership, and control over resource allocation. Thus, promoting women entrepreneurship and economic empowerment is essential for achieving comprehensive economic growth across all levels of society (Siamabele, 2020).

Research in the Southern African Development Community (SADC) region, including studies in Tanzania (Rutenge, 2016) and Zambia (Sibeso, 2022), has highlighted the positive impact of village banking on household welfare and poverty reduction. Comparative findings from other urban African contexts reinforce these patterns. In Nairobi, Kenya, Otieno et al. (2022) found that participation in urban savings and credit groups increased household income stability and resilience. In Dar es Salaam, Tanzania, Msuya and Weka (2023) observed similar gains in food security and small business survival, while Chiumia (2024) documented that women-led village banks in Lilongwe, Malawi, improved members' access to healthcare and education. These studies underscore the potential of village banking to improve livelihoods and promote sustainable development.

The Bank of Zambia recognises the significance of village banking in fostering financial inclusion and empowering communities, particularly in areas with limited access to banking services (Bank of Zambia, 2020). By providing regulatory oversight and support for microfinance institutions, the Bank aims to contribute to poverty reduction and sustainable economic development, especially in rural areas. In Zambia, research has focused on various aspects of village banking, including its influence on female marketers in the Soweto market

(Sibeso, 2022) and female farmers in the Katuba constituency (Sichilongo & Sinkala, 2021). This paper aims to assess the influence of village banking on women outside traditional market and farming settings, using a combination of questionnaires and interviews. By examining the extent to which village banking influences women's welfare, the study seeks to contribute to the understanding of village banking's impact on women's economic empowerment in diverse contexts and is guided by the following objectives;

- i To determine the extent to which participation in village banking influences women's economic welfare
- ii To evaluate how village banking contributes to women's empowerment and socio-economic participation
- iii To identify and analyse the challenges that hinder women from fully benefiting from village banking initiatives

### 3. RESEARCH METHODOLOGY

The study took place in Kaunda Square Stage One, Lusaka Province, Zambia. Kaunda Square Stage One was chosen for its high concentration of women in the informal labour sector, making it ideal for investigating village banking's impact on female economic empowerment (CSO, 2022; Klaveren et al., 2009). Despite the implementation of village banking programs since 2014 (Mususa, 2019), there was a notable lack of empirical studies on their impact. This study aimed to fill that gap by providing insights into village banking dynamics in this context.

The study adopted a mixed-methods descriptive research design to examine the impact of village banking on women's welfare in Kaunda Square Stage One. This design allowed the integration of both quantitative and qualitative approaches, providing a comprehensive understanding of the phenomenon. Ninety participants involved in village banking were randomly selected for the study. Quantitative data were gathered through surveys, while qualitative insights were obtained from in-depth interviews. The data were analysed thematically for qualitative responses and descriptively for quantitative findings, using tables, pie charts, and figures to present results. Thematic analysis involved systematically coding and categorising responses to identify underlying themes, while descriptive analysis summarised demographic characteristics, key variables, and emerging trends. Ethical considerations were strictly followed, with all participants giving

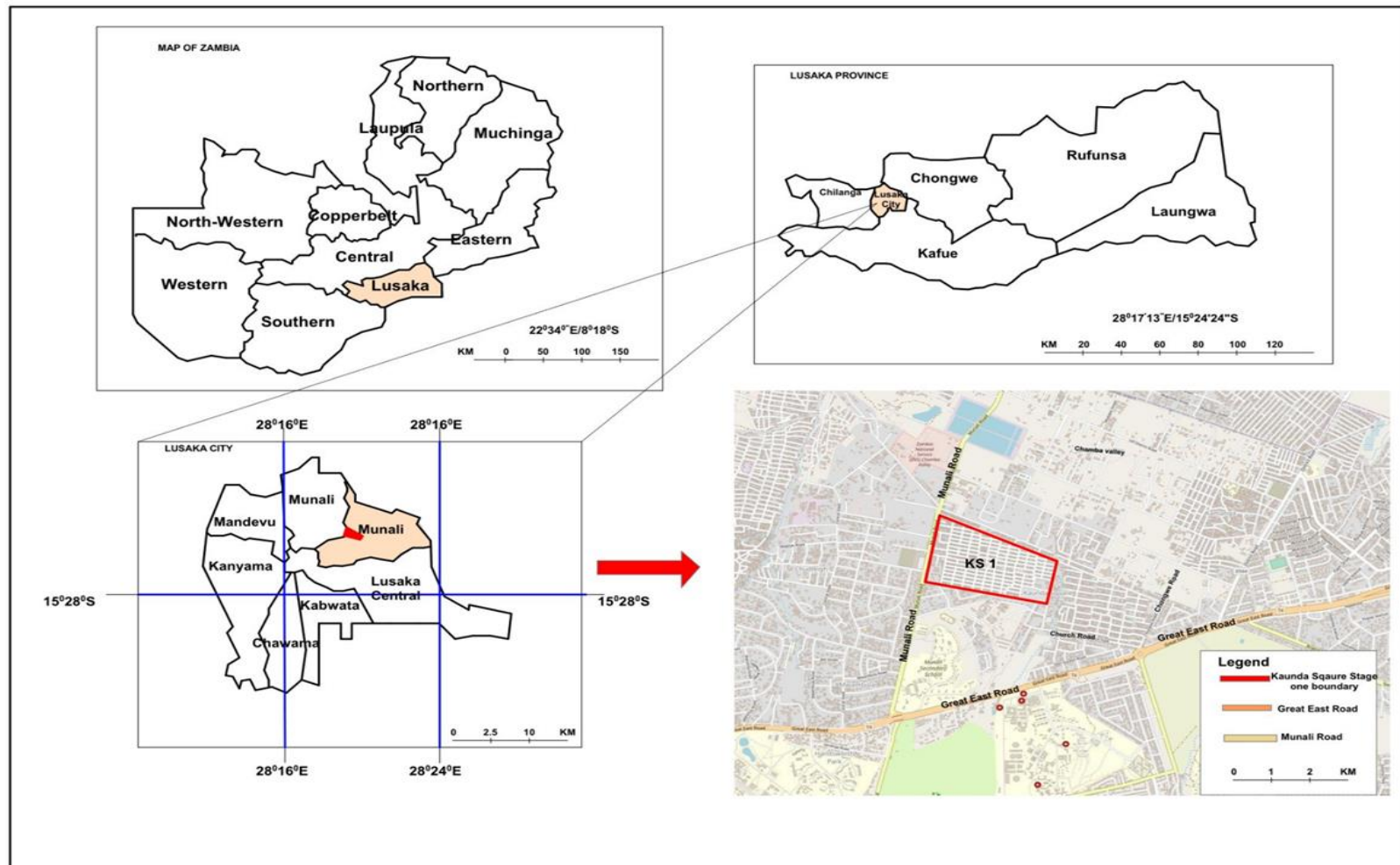


Fig. 1. Research Map Source: Fieldwork, 2023

informed consent, ensuring voluntary participation, and understanding of the study's objectives.

## 4. RESULTS

### 4.1 Demographic Characteristics of the Participants

Considering demographic factors like age, education, marital status, and household income was crucial for understanding the impact of village banking groups on women's welfare. These factors provided insights into the diverse backgrounds of the participants, aiding in assessing the true effects of village banking on their well-being.

**Age of the respondents:** The study conducted an analysis of the age distribution of participants to gain insights into how various age groups contribute to village banking initiatives. Table 1 illustrates the representation of respondents across different age cohorts, facilitating the identification of patterns and trends regarding the impact of age on engagement and outcomes within the village banking system.

Table 1 presents the age distribution of female participants in the survey: 9 participants aged 18-20, 25 participants aged 21-25, 24 participants

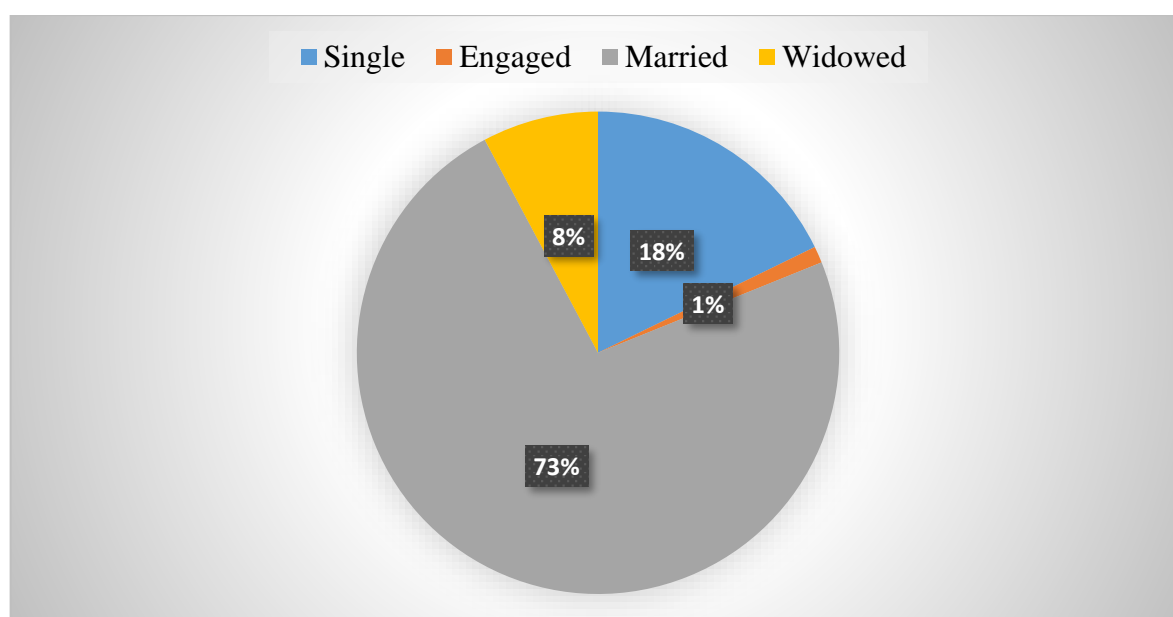
aged 26-30, 4 participants aged 31-35, and 28 above 36, totalling 90 participants. The age group above 36 had the highest representation at 31%, followed by 21-25-year-olds at 28%. Those aged 26-30 constituted approximately 27%, while 31-35-year-olds comprised 4%. The youngest group, 18-20, made up 10%. All participants met the study's sample size criteria, being actively involved in or having participated in village banking.

**Table 1. Age Distribution of Village Bank Respondents**

Age	Count	Percentage
18 to 20	9	10%
21 to 25	25	28%
26 to 30	24	27%
31 to 35	4	4%
Above 36	28	31%
<b>Total</b>	<b>90</b>	<b>100%</b>

*Source: Fieldwork, 2023*

**Marital status of the respondents:** This analysis aims to identify influential patterns and correlations between marital status and various economic behaviours, helping to understand how different family structures contribute to or benefit from the village banking system. By recognising these patterns, the study seeks to inform the development of more effective and inclusive strategies tailored to the unique needs of participants with varying marital statuses.



**Fig. 2. Marital Status of the Respondents**

*Source: Fieldwork, 2023*



**Fig. 3. Level of Education of the Respondents**

*Source: Fieldwork, 2023*

The data highlights the marital status distribution among women in village banking: 18% single, 1% engaged, 73% married, and 8% widowed. This diversity underscores the significance of acknowledging individual circumstances when evaluating financial needs and program participation. Understanding the varied marital statuses allows for tailored support mechanisms within village banking initiatives, ensuring inclusivity and addressing the unique challenges and opportunities faced by women across different marital statuses.

**Education level of the respondents:** The analysis of education levels aimed to gauge participants' knowledge, skills, and qualifications, crucial factors influencing socio-economic status and resource access. Fig. 3 offers insights into participants' educational backgrounds, shedding light on the potential impact of village banking programs on women's empowerment. This data not only helps assess the baseline educational status of participants but also provides a basis for understanding how village banking initiatives may contribute to enhancing women's economic opportunities and overall empowerment.

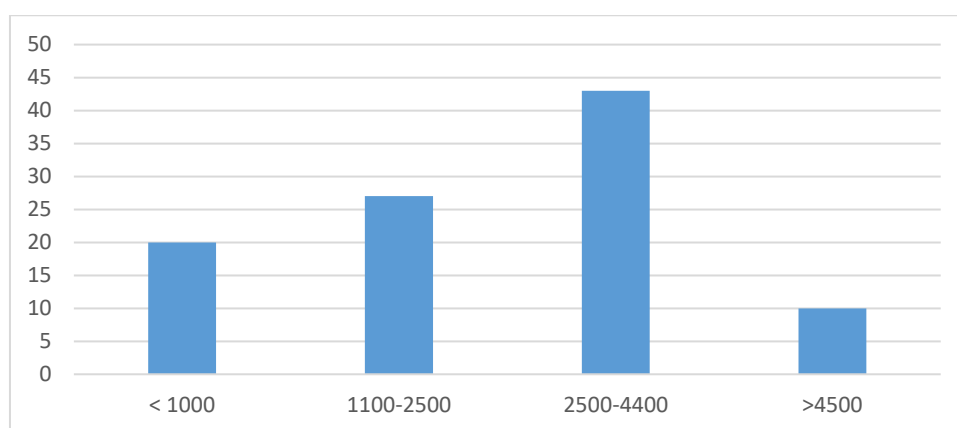
Fig. 3 unveiled the educational attainment of respondents, with 24% holding tertiary education, indicative of degree or advanced diploma completion. The largest segment, constituting 47%, boasted secondary education, denoting high school graduation. Furthermore, 18% possessed junior-level education, having completed primary schooling but not secondary

education, while 11% reported no formal education. This comprehensive breakdown underscores the diverse educational backgrounds within the sample, providing valuable insights into participants' knowledge base and skill sets, critical factors shaping their engagement and potential empowerment through village banking initiatives.

**Level of income of the respondents:** Fig. 4 summarises respondents' average monthly income from other livelihood sources before joining village banking, offering insights into their financial situation and lifestyle. This data contextualises participants' economic backgrounds, aiding in understanding how village banking influences their financial stability. By examining pre-existing income levels, the study identifies baseline conditions and evaluates the impact of village banking on members' financial well-being. This information is essential for tailoring support and enhancing program effectiveness.

This information provided a general overview of the income distribution among women. It suggested that a significant portion of women (27%) had incomes between K1100 and K2500, indicating a moderate income range. Additionally, the data showed that a considerable proportion (43%) had incomes between K2500 and K4400, indicating a higher income range. Furthermore, 10% of women had incomes of K4500 and above, indicating a relatively higher income group. On the other hand, 20% of women had





**Fig. 4. Level of Income of the Respondents**

Source: Fieldwork, 2023

incomes below K1000, indicating a lower-income group. Overall, these statistics suggested a varied income distribution among women, with a significant portion falling within moderate to higher income ranges, but also a notable proportion falling within lower-income brackets.

**Investment opportunities for women in village banking:** Fig. 5 illustrates the extent of women's engagement in investments through village banking, showcasing their significant contributions to inclusive economic growth and sustainable development within their communities. This figure highlights how village banking empowers women to become active economic participants, driving local development and fostering community resilience. By investing in various ventures, women not only enhance their own financial stability but also contribute to the broader economic prosperity and sustainability of their communities.

Fig. 5 showcases the wide array of investment activities undertaken by women through village

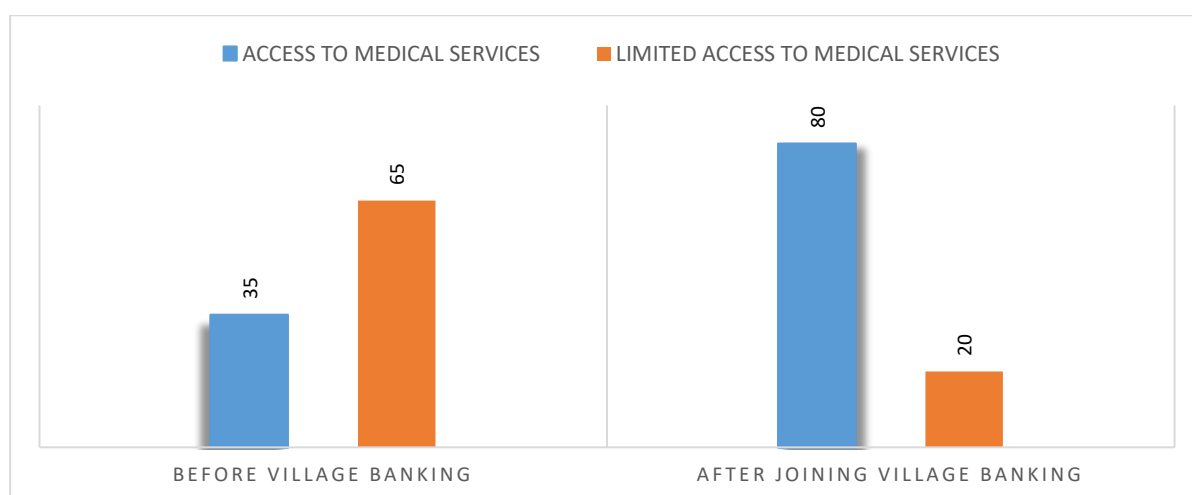
banking, spanning agriculture, services, and retail sectors. Notably, women are heavily involved in poultry farming and tomato cultivation within the agriculture sector, demonstrating their active participation in food production. In the services sector, women engage in diverse endeavours such as tailoring, hairdressing, and retailing automotive spare parts, indicating their versatility and entrepreneurial spirit. Additionally, in the retail sector, women trade essential commodities including honey, fish, beans, second-hand clothing ("salaula"), rice, blankets, and shoes, showcasing their role in providing vital goods to their communities. This comprehensive range of investment activities illustrates the significant contributions of women to various economic sectors, underscoring their pivotal role in enhancing livelihoods and driving local economic growth. Through village banking, women are empowered to pursue diverse ventures, thereby fostering their economic independence and promoting sustainable development within their communities.



**Fig. 5. Village Banking Opportunities for Investment**

Source: Field work, 2023





**Fig. 6. Changes in Access to Medical Services among Village Bank Respondents**

Source: Fieldwork, 2023

## 4.2 The Economic Benefits that Women Realise from Village Banking

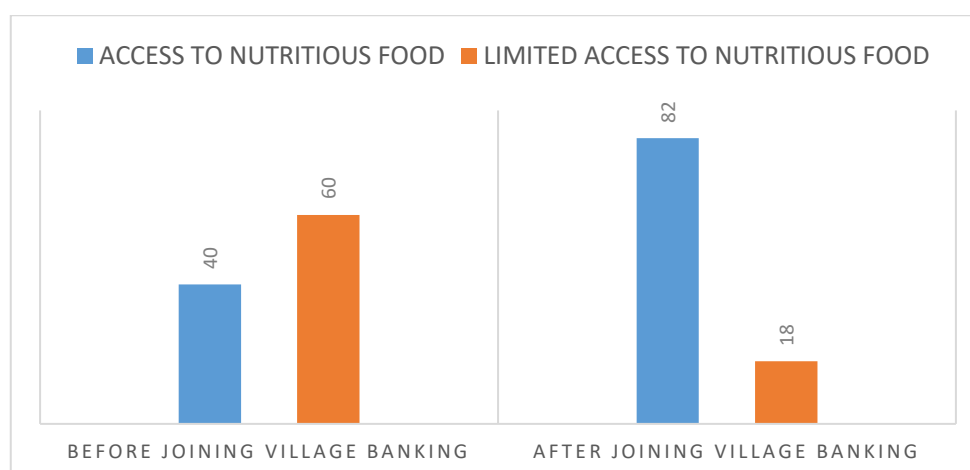
**Village banking and access to medical services:** The researcher aimed to assess the extent to which village banking has influenced women's access to medical services, including private clinics, medications, consultations, and professional treatments. Fig. 6 illustrates a comparative analysis of these outcomes before and after the respondents joined village banking groups. This comparison provides a clear picture of how village banking has potentially improved healthcare access for women, highlighting changes in their ability to seek and afford medical services. Understanding these impacts is crucial for evaluating the broader social benefits of village banking and for developing strategies to further enhance women's health and well-being through these initiatives.

Before joining village banking, only 35% of women relied on spouses or relatives for medical services, highlighting limited direct access to quality healthcare. Most women faced significant healthcare challenges. After participating in village banking, about 80% of women could access essential medical services. One participant noted that village banking enabled her to seek prompt medical attention and afford necessary treatments, improving her family's health and well-being. This shift underscores the positive impact of village banking on women's healthcare access. *I am delighted to share how village banking has transformed my household health. Previously, I would have hesitated to seek medical treatment due to the high costs*

*involved. However, with the financial support from the village banking group, I no longer had to make that difficult choice. Not only was I able to seek medical attention promptly, but I could also afford the necessary medications and treatments. This ensured that my family received the care they needed, reducing the severity and duration of illnesses, and ultimately improving our overall well-being. The impact of village banking on our household health was not limited to the financial aspect alone. With increased financial stability, improved access to healthcare, and enhanced knowledge of health-related matters, we experienced a significant positive change in our overall well-being (Respondent 2).*

Respondent 2 expressed gratitude for how village banking transformed their household's health by overcoming financial barriers to medical care. Previously, high costs had deterred them from seeking treatment, but with support from the village banking group, they could afford necessary care. This timely access to medical attention improved their family's well-being by reducing illness severity and duration. Similar sentiments were shared by other village banking participants. This highlights the vital connection between women's participation in village banking and access to medical services, underlining the role of financial stability in addressing healthcare needs effectively.

**Village banking and food security:** The researcher embarked on a study to explore the impact of village banking on women's ability to access an adequate quantity of nutritious food. Fig. 7 provides a visual representation of the



**Fig. 7. Changes in Food Security among Village Bank Respondents**

Source: Fieldwork, 2023

comparison between outcomes before and after the respondents joined village banking groups. This comparison offers valuable insights into how village banking initiatives may have positively influenced women's access to nutritious food. By examining changes over time, the study aims to shed light on the potential role of village banking in enhancing food security and promoting better nutritional outcomes for women and their families.

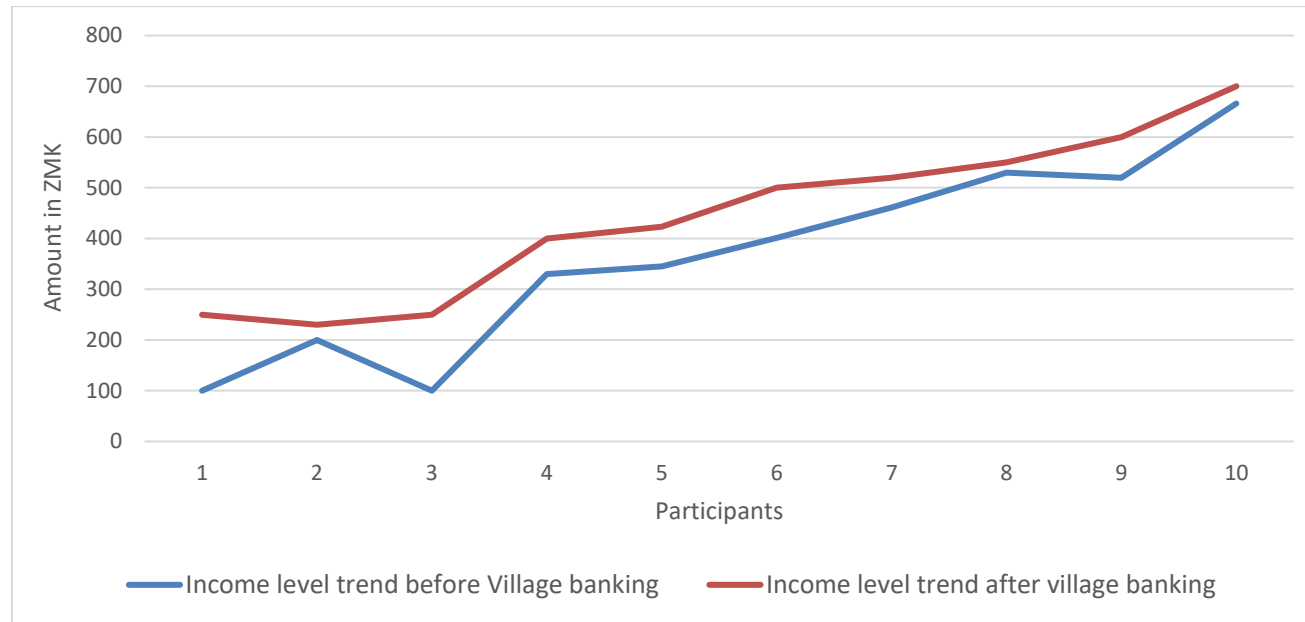
Fig. 7 reveals that prior to joining village banking, only 40% of women could consistently afford nutritious food and three meals a day. After joining, this figure rose to 82%, indicating a significant improvement in their ability to purchase nutritious food. This dramatic increase underscores the crucial role of village banking in overcoming financial barriers and enhancing women's food security. By providing financial resources and support, village banking has markedly improved the dietary quality and overall well-being of its female participants. One of the women that the researcher interviewed had this to say, a sentiment which was echoed by most participant. *"At this market, before the introduction of village banking, and our food prices were so high that we couldn't afford even the basics, and it seemed like things would never improve. Now, however, we're receiving chickens, goats, or other valuable items like second-hand clothes. I don't think we were destined to suffer forever, but I'm grateful that we're receiving more than just the essentials now that I'm part of village banking."* (Respondent 8).

The passage highlights, that with the introduction of the village banking program, the respondent was able to purchase various food items such as

meat, fish, and chicken allowing her to have a balanced meal compared to before they joined village banking. This statement resonated with the sentiments of other respondents who indicated an improvement in their food accessibility, quality, and quantity. Therefore, joining village banking groups not only provided the participants with access to a greater variety of food options and improved their overall meal quality. The interviewee's statement resonates with the sentiments of most of the respondents who indicated an improvement in their food accessibility, quality, and quantity.

**Village banking and income levels:** The researcher delved into examining the influence of village banking on participants' income levels by conducting a comparative analysis of their average income before and after joining. The line chart visually represents the fluctuations in income levels, vividly showcasing the financial advancements observed among participants following their involvement in village banking. This depiction serves to underscore the tangible improvements in financial well-being experienced by participants subsequent to their participation in village banking initiatives.

The line graph from the questionnaire results showed a significant increase in women's income levels after joining village banking compared to before. This visual evidence highlights that village banking effectively enhances women's financial well-being, fostering their economic empowerment and inclusion. Fig. 8 underscores the positive impact of village banking on women's income and socioeconomic advancement.



**Fig. 8. Changes in Income Levels Among Village Bank Respondents**

*Source: Fieldwork, 2023*

A narration of the participant's experience was given during the interview guide where she expressed *"Before village banking, as a single mother, I struggled to provide for my children amidst financial uncertainty. Joining the village banking group opened new financial opportunities without excessive demands. With my first loan, I started a smoked chicken business, relieving financial stress, improving living conditions, and ensuring a steady income for my family (Respondent 3).*

The narrative from Respondent No. 3 vividly illustrated the influence of village banking on individuals facing financial hardship, particularly single mothers. Before joining the village banking group, the respondent had experienced the challenges of limited income and the constant struggle to provide for their children's needs, which left them feeling trapped in a cycle of poverty.

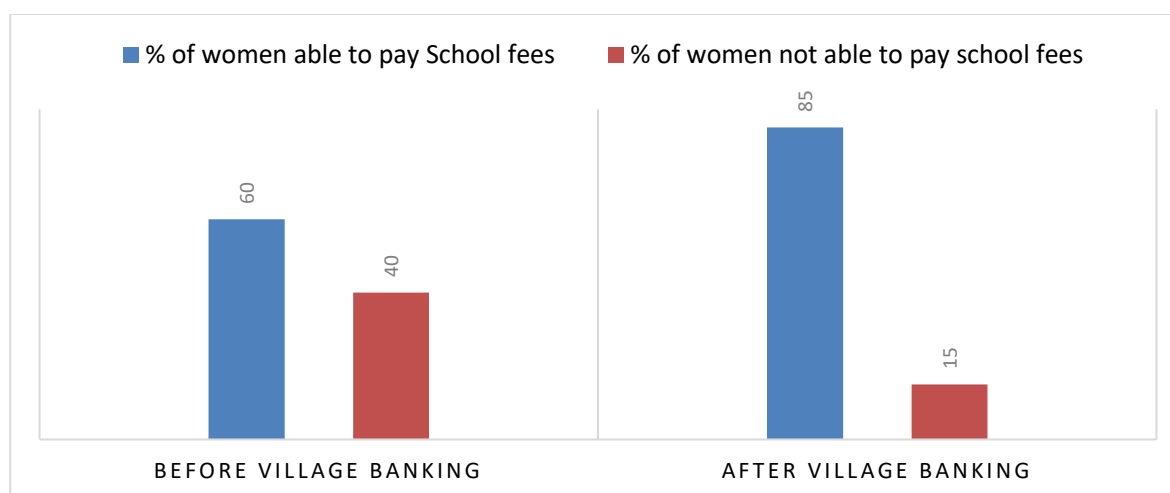
However, upon joining the village banking group, the respondent found relief and empowerment through accessible financial opportunities tailored to their circumstances. This aspect of the research highlighted the important link between income and village banking. The ability to access a reliable source of financial support, such as the village banking system, can empower individuals to break free from the cycle of poverty and make positive changes in their lives.

#### **Village banking and payment of school fees:**

The researcher opted to investigate the correlation between village banking and the payment of school fees to gain a deeper understanding of how village banking influences

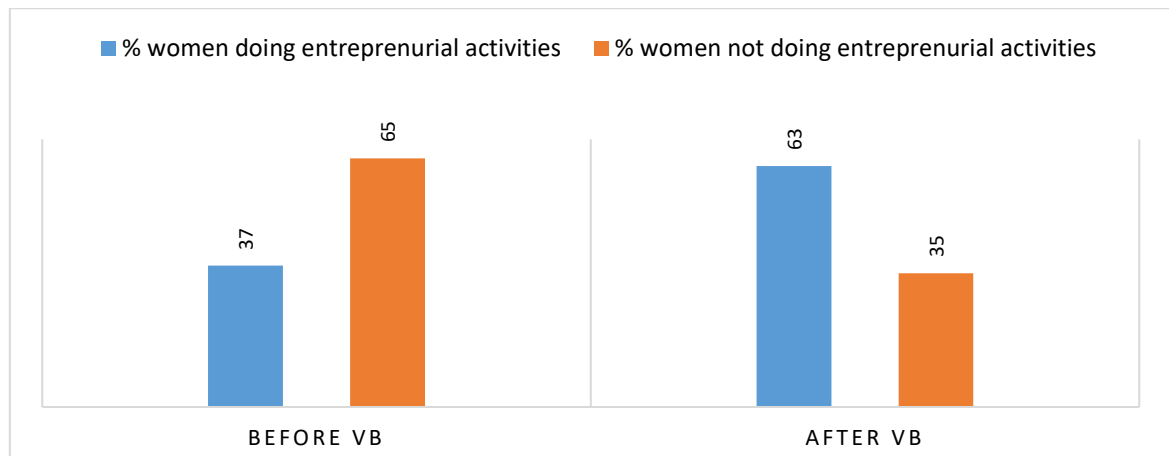
participants' ability to afford their educational expenses. This visualization serves to elucidate the extent to which participation in village banking has impacted the enrollment rates, shedding light on the potential role of village banking in promoting access to education and supporting the educational aspirations of participants.

The results in Fig. 9 showed that before village banking, 60% of respondents were able to pay school fees for their children. However, there were about 40% children who were unable to attend school because the respondents could not afford to pay their fees. After the introduction of village banking, the percentage of women able to pay school fees increased to 85%, leading to a higher average school attendance rate. Consequently, the number of children unable to attend school due to unpaid fees decreased to 15%. This suggested that the implementation of village banking has had a positive influence on women's ability to afford school fees, resulting in an increase in school attendance and a reduction in the number of children who are unable to attend school due to financial constraints. During the interview guide, one of the participant shared an experience which was echoed by other respondents. The participant expressed in her mother tongue that *"Nomba nga nalinakanya ku village banking, sibapanga imwe nabantu bonse imbi nikucila. Mwanzelu ku village banking, kuno twakasenga bamwe tukashalile mu kusekebana na nkafunda. Akaikumba, lomb village banking lifwaya, inshita shafulukwa. Nalemfwa kukula pakuti silver kupalama lisi co tukaleya amashulo pa yangitilobela, insambu, tabili na kashilu."*(Respondent, 1).



**Fig. 9. Changes in Payment of School Fees among Village Bank Respondents**

Source: Fieldwork, 2023



**Fig. 10. Changes in Business Ventures among Village Bank Respondents**

Source: Fieldwork, 2023

The participant's experience indicated that after joining the village banking program, positive changes were observed in the education of her children. This was evident in her ability to afford basic school supplies and keep her children enrolled in school. However, the researcher observed that while village banking helped the women in the community to pay their children's school fees, it did not seem to encourage the women themselves to enrol in schools and obtain new skills. The observation suggests that while village banking may have been successful in increasing financial inclusion and helping women improve their children's education, there was still a significant barrier to their personal growth and development. This might be due to cultural or financial reasons that need to be addressed to ensure that women are empowered to pursue their educational goals and aspirations.

**Village banking and business growth:** The researcher chose to examine the connection between village banking and the entrepreneurial ventures of the respondents in order to determine the extent to which village banking had negatively or positively affected their entrepreneurial ventures. Fig. 10 shows the changes before and after respondents joined village banking groups.

The results showed that prior to joining village banking, approximately 35% of the women surveyed were engaged in entrepreneurial activities, such as owning or running a business of which the majority were not running or owning any sort of business.

Following their participation in village banking, the number of women actively involved in business ownership notably increased to 65% indicating a substantial favorable influence of village banking on the empowerment of women entrepreneurs. Specifically, the data suggested a significant 30% rise in the proportion of women engaged in business activities after joining the village banking program. This increase highlights the potential positive influence of village banking initiatives in enhancing economic opportunities for women and fostering entrepreneurship within their communities.

During the interview guide, one of the participants shared their experience regarding the influence that village banking had on their business prospects. The other members of the village banking group expressed a similar sentiment. The participants articulated that *"Joining the village banking program was truly a turning point for my business. Before I joined the village banking program, I was struggling to make ends meet. I had always dreamed of starting my own business, but I lacked the necessary capital and support." She had always been passionate about fashion (Salaula) and had a deep desire to buy and resell good quality clothes. However, without access to financial resources, I found myself stuck in a cycle of uncertainty, unable to turn her dream into a reality. That all changed when joined the village banking program I was invited to by my friend. From the microloans provided by the village banking program, I was able to acquire the initial capital needed to purchase materials."* (Respondents 6).

The narrative illustrated how the advantages of village banking extend far beyond financial gains. It demonstrated how village banking initiatives can serve as catalysts for improvements in individuals' lives, touching upon various aspects beyond monetary support. By providing accessible financial services tailored to the needs of marginalised communities, empowers the respondents with the capital that was needed to start up a business.

Through the interviews, the researcher noted that while women had access to financial resources, they engaged in short-term business ventures. They lacked the capacity to sustain a single business over an extended period and enhance its profitability. Consequently, they frequently switched businesses based on current trends, swiftly transitioning to new ventures when the trend waned.

The study observed that joining the village banking program provided the participant with access to microloans, which served as a crucial source of funding for their businesses. Without the support of village banking, the participants may have continued to struggle to secure the necessary capital to start their businesses.

#### 4.3 Challenges that hinder Village Banking's contribution to Women's Economic Welfare

The study wanted to determine the challenges that impede the overall influence of village banking on women's welfare. The Table 2 highlights the challenges that women face.

**Table 2. Challenges of Village Banking**

Challenge	Percentage
Loan payment default	23%
Short payback period of loans	39%
Lack of accountability and poor record-keeping	38%

The challenges of loan payment default, short payback periods, and lack of accountability and poor record-keeping in village banking highlight critical areas for improvement. With a significant portion of participants experiencing difficulty repaying loans and facing short payback periods, there's a pressing need for more flexible loan terms that align with borrowers' financial capacities and investment cycles. Additionally, the lack of accountability and poor record-keeping practices within village banking groups

raise concerns about transparency and effective financial management. Addressing these challenges requires implementing robust financial education programs, promoting responsible lending practice. The participant recalled *"I've been part of a village banking group for the past three years. While the program has been beneficial, we've faced a significant challenge with accountability and poor record-keeping. Our group has struggled with incomplete records and discrepancies in our financial transactions. This has created a sense of unease and distrust among our members. Without accurate records, it's challenging to ensure that everyone is contributing and receiving their fair share. It also makes it difficult to track our progress and evaluate the success of the program. We've had instances where loan repayments and savings contributions were not accurately recorded, leading to misunderstandings and disputes. It's disheartening to see our hard work compromised by these issues. We need better systems in place to ensure transparency and accountability (Respondent,11).*

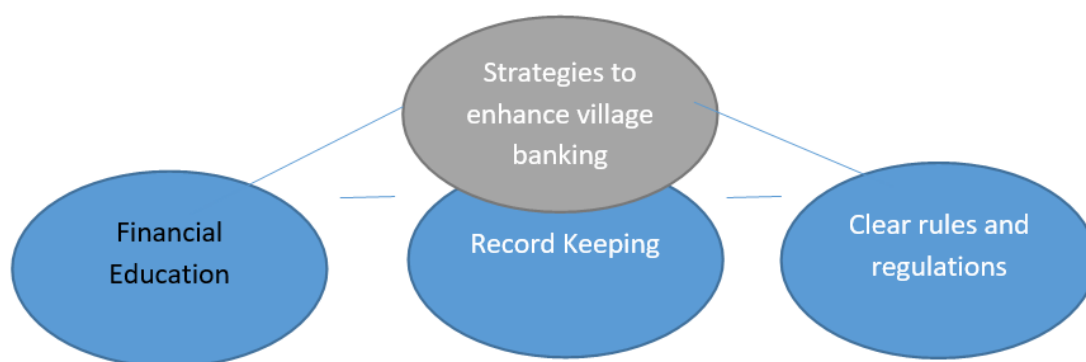
Additionally, another recalled her experience of perceived unfairness in the distribution of loans by the village banking treasurer. She described how the treasurer would provide loans to her friends without putting pressure on them to repay, while those who were not as close to her did not receive the same favourable treatment.

#### 4.4 Effectiveness of Village Banking Systems on Women's Welfare

The study aimed to explore community responses to various challenges affecting the effectiveness of village banking and identify strategies employed to address these issues. Through the analysis of questionnaires and interviews, three key themes emerged.

To improve the contribution of village banking to women's welfare, participants emphasized three pivotal themes: financial education, comprehensive record-keeping, and transparent rules and regulations. Financial education initiatives were seen as essential for empowering women with the knowledge and skills needed to make informed financial decisions, manage resources effectively, and navigate the complexities of borrowing and investment. Adequate record-keeping practices were identified as crucial for maintaining transparency, accountability, and trust within village banking





**Fig. 11. Strategies to Enhance Village Banking**

Source: Field work, 2023

groups, enabling accurate tracking of financial transactions and ensuring fair and equitable distribution of resources. Moreover, clear and well-defined rules and regulations were highlighted as vital for establishing a supportive and structured environment conducive to women's participation and success in village banking initiatives. These themes underscore the importance of empowering women with the necessary tools, knowledge, and regulatory frameworks to maximise the benefits of village banking and advance their welfare and socio-economic empowerment.

One of the respondents articulated, *"When I just joined my first village banking group, I faced struggles and hardships when it came to managing my finances. Many of us were raised in families where financial education was nonexistent. We grew up with little knowledge of budgeting, saving, or making wise investments. Consequently, these skills are not instinctive to us and often lead to poor financial decisions."*

*There was a time when I invested a significant portion of my savings in a business venture without fully understanding the risks involved. Unfortunately, the venture failed, leaving me with considerable debt and a devastated sense of hope. I knew my story was just like many others in our community, who often make financial decisions without adequate knowledge or support.*

*With no experience with financial matters and the fear of losing what little money I had was overwhelmed. Until one of the group's leaders, a knowledgeable and experienced woman named Fatima (name withheld), recognised the need for financial training within our community.*

*She organised regular sessions on financial literacy, teaching us basic concepts like budgeting, saving, and debt management. Fatima patiently explained how to differentiate between wants and needs, and how to prioritise our expenses to ensure financial stability. These sessions were eye-opening for all of us, and we soon realised that financial independence was within our grasp (Respondent 4).*

The narrative emphasised that financial training played a vital role in the success and sustainability of village banks. By equipping members with knowledge and skills related to money management, budgeting, savings, and investment, they are empowered to navigate the complex financial landscape with confidence.

The researcher was able to observe that women who had not received financial training demonstrated lower levels of financial literacy, often struggled with basic concepts like budgeting and accumulation of savings expressed lower levels of confidence in their ability to manage personal finances effectively, and lacked the initiative to explore additional income-generating opportunities. These women spent their loans on expenditure activities and not income-generating activities.

## 5. DISCUSSION

Village banking has demonstrated a profound impact on enhancing access to essential services, notably in the realm of healthcare. Participation in these community-based financial initiatives has led to a remarkable increase in access to medical services, with rates soaring from 35% to 80% post-enrollment. This significant improvement is directly linked to the financial stability provided by village banking,



enabling participants to afford necessary medical care (Sichilongo & Sinkala, 2021; Sibeso, 2022). The benefits of improved healthcare access extend beyond individuals, positively influencing entire families by alleviating financial strain and stress, especially among those aged 36 and above who often face age-related health challenges (Boyle & Kvilhaug, 2023; World Health Organisation, 2022).

Village banking has not only improved medical access but has also led to a remarkable surge in food security. Participation in these initiatives has elevated food security rates from 40% to 82%, a substantial improvement attributed to the financial support village banking provides. This backing enables investments in agriculture and fosters stable income-generating activities (Khandker, 2010). Such progress is particularly impactful for vulnerable groups, including widows and single women, empowering them to secure consistent access to nutritious meals (Karlan et al., 2017). Furthermore, collective efforts within village banking communities, such as community gardens, significantly enhance food security initiatives (Pienaaah & Luginaah, 2024).

Moreover, village banking initiatives substantially augmented participants' income levels, providing a platform for women to delve into entrepreneurial activities and venture into small-scale businesses (Addai, 2017). However, the sustainability of these enterprises over time may encounter hurdles due to technical expertise challenges (Agyapong et al., 2011). Nevertheless, village banking serves as a catalyst for nurturing entrepreneurial capabilities, thereby generating employment prospects and fueling economic advancement (Banerjee et al., 2015; Brouwers, 2014).

Furthermore, the study has revealed that women's engagement in village banking is positively associated with their ability to afford school fees, thereby fostering economic empowerment and financial resilience (Kabeer et al., 2014; Fletschner & Mesbah, 2010). Through increased income and enhanced financial literacy gained from village banking, women prioritise their children's education, leading to higher rates of school enrollment and completion (Maldonado et al., 2003). Regular interactions within village banking groups also help develop social networks and trust, enabling collective action to meet members' financial needs, including educational expenses (Putman, 2000, Mumba, 2016). The economic independence provided by village banking allows unmarried women to

prioritise their children's education despite their own educational limitations (Khursheed, 2022). This highlights the crucial role of village banking in improving living standards and promoting inclusive and equitable education, aligning with national development goals (Ministry of Finance and National Planning [MoFNP], 2022; Bank of Zambia, 2020).

Despite the numerous benefits village banking has provided for women in this community, it is not without its challenges. Loan default has become a significant issue within village banking systems, impacting both individual borrowers and the groups as a whole. Even with the communal and supportive nature of village banking, many participants have disclosed their inability to repay loans (Al-Mamun et al., 2014). This challenges the previous assumptions that microfinance, including village banking, primarily targets women due to their historically low default rates.

The reasons for loan defaults are complex and often stem from a lack of financial literacy and inadequate business planning (Lu et al., 2024). Although most village banking participants have attained a secondary level of education, the ongoing default rates suggest that education alone is not sufficient to prevent defaults. Contributing factors include economic hardships and the misuse of loan funds for consumption purposes (Lweendo, 2022). Addressing these challenges is essential for maintaining the sustainability and effectiveness of village banking initiatives. Despite some participants having secondary education, the inability to manage loans effectively persisted. Additionally, external factors like natural disasters compounded default risks. Morduch and Armendariz (2005) suggested that social capital, such as trust within communities, influenced repayment behaviours. However, the erosion of social capital due to high default rates underscored challenges within the village banking framework (Putman, 2000).

Moreover, short payback periods presented a significant challenge in village banking, representing a considerable hurdle (Sichilongo & Sinkala, 2021). Participants with higher education levels, stable incomes, and previous financial management experience were more likely to repay loans promptly. Conversely, lower levels of education limited financial literacy, resulting in delayed repayments (Gale & Levine, 2011). Unpredictable income sources and a lack of business management experience further compounded challenges in meeting repayment obligations. The shorter repayment periods could

heighten the risks of loan delinquency, potentially destabilising microfinance institutions (Nath et al., 2017; Ansohn, 2018).

Additionally, maintaining proper record-keeping practices was crucial for ensuring accountability and the long-term sustainability of village banking. Participants noted accountability and record-keeping as a notable challenge (Putman, 2000), indicating widespread concerns within village banking communities. According to social capital theory, trust and shared norms are pivotal for successful cooperative efforts. The absence of accurate record-keeping undermined trust among members, gradually eroding social capital within the community (Putman, 2000).

The study has also shown that village banking holds significant meaning for individuals within communities, providing a lifeline for accessing financial services and support that are otherwise inaccessible through traditional banking systems. Participants join village banking primarily to address their financial needs and aspirations, including securing loans for entrepreneurial ventures, improving financial literacy, and fostering economic stability within their households (Ngwembano, 2023). These aspirations are met through various opportunities offered by village banking initiatives, including access to credit, participation in financial education programs, and the establishment of supportive networks within their communities.

Financial literacy sessions were instrumental in increasing participation rates and overall effectiveness, as emphasised by Lweendo (2022). These sessions covered key topics such as budgeting and loan management, providing participants with essential skills for managing their finances effectively. Combining vocational training with financial education, as highlighted by Ceford (2023), further enhanced the welfare of women within village banking programs. This integration equipped women with technical skills for various income opportunities, thereby bolstering economic stability and community growth. The importance of merging vocational training with financial education to comprehensively enhance village banking was underscored by Karim & Kabeer (2016).

Clear rules and regulations played a pivotal role in the success of village banking, fostering transparency, accountability, and legal

compliance (Morduch & Armendáriz, 2005). These frameworks supported responsible lending practices, protecting clients, and promoting program sustainability (Harper, 2017). Regular engagement through consistent meetings positively influenced village banking success (Lweendo, 2022), facilitating effective communication, collective decision-making, and community-building. These gatherings fostered social interaction, trust, and a shared sense of purpose, enhancing cooperation and solidarity, as noted by Putman (2000).

Accurate record-keeping was indispensable for village banking performance, ensuring transparency, trust, and accountability (Lweendo, 2021). It enabled efficient fund management, informed decision-making, and prevented mismanagement and fraud. Transparent practices contributed to the development of social networks and shared norms within the community, further reinforcing trust and accountability (Putman, 2000).

## 6. CONCLUSION

The study shed light on the positive impact of village banking initiatives on women in urban communities. Through village banking, women gained access to sustainable income, enabling them to support their families and invest in education (Kabeer et al., 2014). Entrepreneurial women utilised village banking to access funds for ventures, fostering economic growth (Khursheed, 2022). Additionally, village banking enhanced food security and provided crucial medical services, benefiting women's overall well-being (Sichilongo and Sinkala, 2021; Andriani & Kalam, 2022). However, the study also highlighted challenges faced by women in village banking. Short loan payback periods and defaults had been significant obstacles. Inadequate record-keeping practices have hindered financial management (Kabeer et al., 2014). To address these challenges, communities have implemented strategies. Increased financial training had equipped women with essential skills, but vocational training had also been deemed necessary (Kabeer et al., 2014). Clear rules and regulations promoted transparency and accountability (Kabeer et al., 2014). Regular meetings and guidance had bolstered confidence while emphasising the importance of record-keeping had facilitated transparency and efficient management (Kabeer et al., 2014). These strategies better served women's financial needs and contributed to their economic empowerment.

## 7. RECOMMENDATIONS

Community involvement in village banking can be strengthened by implementing strict protocols to minimise loan defaults. Adherence to responsible lending practices fosters trust within the group. Additionally, providing vocational training equips members with skills for sustainable enterprises, enhancing economic empowerment. Governments play a vital role by establishing monitoring mechanisms to ensure compliance and reduce default rates. Partnerships with other institutions facilitate knowledge-sharing and collaborative efforts, enhancing the success of village banking initiatives.

## DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT) manuscript were used.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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