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The non-financial effects microfinance loans have on women in the Eastern Cape: a case study of Ngxulu and Ngqeqe villages

Matomela, Sanele

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DECLARATION

I declare that this research is my own work. It is submitted in partial fulfilment of the requirements of Master of Arts (in the field of Development Studies) at the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

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Sanele Matomela

Date:

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ABSTRACT

In the developing world, Africa has been one of the regions worst affected by poverty. In rural areas in particular, people have little access to work and limited opportunities in general. Rural women are often worst affected by poverty. Microfinance was developed to allow those living in poverty, especially women, an opportunity to make an income. Because of this, microfinance was seen as a 'magic bullet' which could both alleviate poverty and empower. Microfinance has been subsequently critiqued as being unsuccessful in eliminating income poverty. This study looks beyond the issue of income and financial success in microfinance. Using the broader concept of human poverty, this study seeks to establish the wider non-financial effects that participating in microfinance has on rural women. This study investigates women from the rural Eastern Cape, South Africa, as it is one of the provinces worst affected by poverty. Specifically it looks at women who have received a loan from the Small Enterprise Foundation, a non-profit, non-governmental organization. The research was conducted using the qualitative method, by means of semi-structured interviews. This study finds that there is a positive relationship between the wealth created through the women's Income Generating Activities and a reduction in human poverty. The finding firstly suggests that microfinance has non-financial effects that help solve human poverty and secondly, that the loans the women receive can help women successfully fulfil their caregiving roles, gain self-confidence and lastly be active community members.

LIST OF ABBREVIATIONS

AFS: Annual financial statements

CBOs: Community Based Organizations

USAID: United States Agency for International Development

WID: Women In Development

WEM: Women's Empowerment Matrix

IGAs: Income Generating Activities

NGO: Non-governmental organisation

MFI's: Microfinance Institutions

MDGs: Millennium Development Goals

SEF: Small Enterprise Foundation

STAT SA: Statistics South Africa

LIST OF FIGURES

Figure 1: The process of empowerment.

Figure 2: Depicts the influences and effects of microfinance on women and their external environments.

Figure 3: Highlighted provinces are SEF branches in South Africa

Figure 4: The women's marital statuses.