

The Impact of Microfinance in the Development of Micro and Small Enterprises Owned by Women: A Case Study of Vision Fund Malawi

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Abstract: The major focus of this paper was to assess the impact of Microfinance in the development of micro and small enterprises owned by women. Microfinance plays a crucial role in socio-economic empowerment of women by promoting suitable conditions for them to move from positions of marginalization within households, to one of greater roles in decision-making at the community, national and international levels. Microfinance for women and the poor has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Despite this, there is a clear lack of recorded data on the impact of micro-finance in the development of micro and small enterprises owned by women. Research design for this study was both qualitative and quantitative, which involved conducting focus group discussions and questionnaires as research instruments in order to collect qualitative and quantitative data respectively from a sample size of 60 with the use of convenient sampling. The qualitative data from these focus group discussions was analyzed using content-based analysis while the quantitative data will be analyzed using SPSS. The findings show that the most common services being provided by Vision Fund Malawi (VFM) are Microloans and Savings. It was found that services such as microinsurance and trainings are not known by the majority of respondents particularly the non-VFM staff.

Keywords: microfinance, micro & small enterprises, women empowerment, women entrepreneurs.

1. Introduction

Microfinance provides an opportunity for low income-earners, including women to improve their economic and social status. Besides economic empowerment, microcredit carries with it numerous other benefits for women, including better control of their reproductive health as well as reduced vulnerability to domestic violence. Better incomes make women less vulnerable to gender-based violence (GBV) perpetuated by their partners. Microfinance plays a crucial role in socio-economic empowerment of women by promoting suitable conditions for them to move from positions of marginalization within households, to one of greater roles in decision-making at the community, national and international levels. This paper focuses on the impact of microfinance in the development of micro and small enterprises owned by women in Malawi.

Vision Fund Malawi is a leading microfinance institution

established as a subsidiary of Vision Fund International, a global microfinance institution operating in Africa, Asia, Latin America, and Eastern Europe. Vision Fund International is a wholly owned subsidiary of World Vision International, a Christian relief development and advocacy organization. In coordination with World Vision, Vision Fund provides the foundations for local economies to flourish in healthy and safe communities. Vision Fund was established in 2000 to provide microfinance services to people in Malawi who would otherwise have little or no access to credit. Financial products provided are aimed at empowering communities by providing access to credit as well as training in business related areas. Vision Fund focuses on helping the economically poor and active members of communities, with a special focus on women. Vision Fund operates across Malawi through 17 branches mainly located in and around World Vision Malawi (WVM) Area Programs (AP).

A. Significance of the Study

This study is concerned with women empowerment which is developed through the microfinance program. Women empowerment includes positive changes in economic condition, household economic decision making, legal awareness, mobility, and family decision making the power of women in the family as well as in society. This study may be helpful for the key players such as microfinance institution for evaluating their services which they are providing microfinance services for women. This research may have significance for the future researcher, for microfinance institutions and stakeholders (society, government, municipality, regularity intuitions local ward, etc.).

B. Main and Specific Objectives of the Study

1) Main Objective

The research assessed the impact of microfinance in the development of micro and small enterprises owned by women in Malawi.

2) Specific Objectives

This study aimed at achieving the following objectives:

- i. To examine how accessibility to microfinance has impacted the development of women owned

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- businesses.
- ii. To determine if microfinance is an effective tool for poverty reduction among women.
- iii. To assess the challenges that women face in accessing microfinance services.
- iv. To propose suitable recommendation to enhance the development of women owned micro and small enterprises.

2. Literature Review

This section is based on the journals, articles, study report, manuals, previous thesis, and related website. The mention literature focuses on the background of microfinance, the significant of microfinance in order to uplift economic condition and inter-relation between women empowerment and microfinance.

Hunt and Kasynathan (2002) described that microfinance programs for women have a positive impact on economic growth by improving women income generating activities. The data was collected from three NGO's in Bangladesh and one state of India. The study found that most of the women receiving credit have no control over their loans due to low access to markets. It was further found that micro-credit has an impact on female education, marriage practice, mobility, violence against women and self-respect. Cheston and Kuhn (2002) stated that microfinance programs have the potential to transform power relations and to enhance women empowerment. Although women access to financial resources has been substantially increased, loans given to women differ in size. It has been shown that just to provide access to financial resources is not enough to empower women and improve their well-being. Microfinance does not address all the barriers to women empowerment but if they are properly designed, then they can do an important contribution in women empowerment.

Sarumathi and Mohan (2011) used psychological, social, economic indicators to examine the role of microfinance in empowerment in the Pondicherry region. The findings of the study revealed that microfinance assisted women in gaining psychological and social empowerment than economic empowerment. Several studies have concluded that microfinance helps bring poor people out of poverty, although, all microfinance programs are not equally proficient.

3. Research Methodology

A. Research Design

The study adopted both qualitative and quantitative methods of investigation. Mixed descriptive research determines and reports the way things are and it attempts to describe such things as possible behaviour, attitudes, values and characteristics.

B. Sampling Procedure

Target population here were the beneficiaries, former beneficiaries of Vision Fund loans, non- beneficiaries as well as the staff of Vision Fund Malawi. There were two types of sampling used namely probability and non-probability. With probability sampling, the chance of being selected from the

population is usually equal and also known. Whereas in nonprobability sampling, the likelihood of an element to be selected from the population is not known (Kothari, 2004). Sampling technique that will be applied in this research is Convenient sampling due to budget limitations.

C. Sample Size

A sample size of 60 was selected from the target population.

D. Tools for Data Collection

Primary data for this study was collected using questionnaires and focus group discussions.

1) Questionnaires

For the purpose of this research, questionnaires were used because it allows in-depth research, to gain first and information and more experience over a short period of time. There were 30 questionnaires that were administered to the 10 staff of Vision Fund Malawi, 10 to VFM clients, 10 to VFM non-clients.

2) Focus Group Discussion

Focus group research involves organized discussions with a selected group of individuals to gain information about their views and experiences of a topic (Kothari, 2004). It is a way of collecting data that involves the engagement of a small group of people to perform an informal group discussion focused on a particular topic or set of issues. There were 3 focus group discussions comprising of 10 members each. One focus group of current beneficiaries, one focus group of former beneficiaries and the last focus group will comprise of women who have never been beneficiaries of Vision Fund Malawi.

4. Results and Discussions

A. Demographical Information

Sex of Respondents: The majority of respondents were female (73.33%), while males were only 26.67%.

Age of Respondents: The average age of the respondents from the questionnaire was 38.63 years, which is approximately 39 years.

Marital Status of Respondents: The majority of respondents in this study were married 46.67%.

Education Level of Respondents: The majority of the study respondents' education level was primary school level about 36.7%.

B. Services Offered by Vision Fund Malawi

The findings show that the most common services being provided by Vision Fund Malawi are Microloans and Savings, these 2 services have registered 100% based on the responses given by the respondents in this study. It appears the Non-VFM staff respondents hardly know about the microfinance and trainings services that Vision Fund Malawi is providing.

C. Key Results

1) Accessibility of Microfinance

Based on the findings of the questionnaire it was noted that only 65% of people were able to obtain a loan from Microfinance Institutions. That means its only 13 out of 20 people who took part in the questionnaire that were able to

obtain a loan from the MFIs. This is seen in Table 1.

Table 1
People that obtained a loan from MFIs

	Frequency	Percent
No	7	35
Yes	13	65
Total	20	100.0

Source: Primary Data, 2023

Findings from the FGDs revealed that there is some sort of favoritism or bias when it comes to obtaining a loan.

The findings also uncovered that from the 13 that obtained a loan from MFIs, only 2 of them were male. There were 11 women in total that obtained a loan from MFIs. The findings might suggest that indeed microfinance institutions are helping women to develop SMEs. As seen above, more females than males are able to obtain these loans that are provided by MFIs such as Vision Fund Malawi.

Table 2
Maximum amount (loan) obtained

Mean	MK 45,000.00
Minimum	MK 25,000.00
Maximum	MK 80,000.00

Source: Primary Data, 2023

The average maximum amount (loan) that was obtained from the 13 respondents was 45,000 Malawian Kwacha. This amount is very low, the data obtained has highlighted that respondents find the amount to be unsatisfactory. In other words, they appear to be displeased with the amount they obtained. FGD findings also support this.

Table 3, that was derived from the questionnaire also highlights that 76% of the respondents that obtained the loan found the loan amount unsatisfactory.

Table 3
Satisfaction with the money obtained from the Micro-Finance Institution (questionnaire)

	Frequency	Percent
Yes	3	23.1
No	10	76.9
Total	13	100.0

Source: Primary Data, 2023

The findings also indicate that the majority of businesses that were created through microfinance have a monthly income of 3 to 50 thousand (85%). This is low and further supports the respondents' claims that the money is just not enough.

2) Challenges that Affect Women's Participation in Entrepreneurship

According to the findings from the research instruments, the challenges that affect women's participation in entrepreneurship are; Gender inequality and discrimination, lack of training and education (business management knowledge, education, skills, and training), double roles and responsibilities, social attitudes towards women, high interest rate, lack of network and information. Other challenges discovered were; inadequate access to finance or capital for start-up and growing business, administration issues, lack of

guarantees to secure loans, lack of family & community support, as well as traditional cultural norms, beliefs and practices.

Entrepreneurial education and training are critical tools for female entrepreneurs to manage business successfully, not least because they update entrepreneurs on current and future business trends. It appears that some culture or tribes in Sabwe do not allow women to own properties, which could serve them as collateral based on the findings from one of the FGDs who pointed out culture as a barrier to entrepreneurship.

Lack of community support associated with the negative perception of women's enterprises discourages women entrepreneurship and affects their business growth. Traditional culture views a boy child as more important than a girl, and prevents girls from learning more about entrepreneurship to empower them to start and conduct a successful business. The culture allocates to women the role of housekeeper, and having to combine home responsibility and business makes it difficult for women to concentrate on business.

The high interest rates charged by both commercial banks and micro-credit providers is also a prominent issue that was discovered that impacts on business development and discourages women entrepreneurs. While a significant number of women have entrepreneurial intentions, social stereotypes can prevent them from starting a business. Gender stereotypes encourage gender inequality and the underestimation of women's capacity to run a business. Women entrepreneurs do not enjoy the same business environment as men entrepreneurs. They work under pressure of discrimination, and this is a major reason why there are comparatively few of them.

3) Challenges Hindering Women's Access to Microfinance Services

When it came to challenges hindering or affecting women's access to Microfinance services, there were a lot of them, but some challenges were more prominent than others. One of the FGD respondents said, "it is hard for women to obtain or access loans because we don't have collateral, most of the assets, land, houses are owned by males so we find it difficult to obtain loans not just from microfinance intuitions but also banks as well". One FGD respondent said, "for some of us, we have no MFIs within reach of our communities so we have nowhere to go to get loans so it's a big bottleneck". Another FGD respondent who is a beneficiary said that they were treated rudely by staff from the microfinance institution. The respondent was quoted "I weren't there to ask for financial advice, I stayed there for hours and hours, I wasn't even attended to, I left the premises and felt that engaging with the staff is not for all of you".

Table 4
Challenges faced women when trying to access microfinance

	N	Percent
Lack of collateral	26	86.7%
Few or no financial institution in area	7	23.3%
Harsh treatment from staff	10	33.3%
High interest rates	20	66.67%

Source: Primary Data, 2023

The findings from the questionnaire with regard to the

challenges women face when trying to access loans are shown in table 4.

4) *Impact of Microfinance Institutions*

It is evident that microfinance institutions have led to creation of women owned businesses. This result shows that 83.3% of the respondents agreeing to this. The findings show that the majority rated the Microfinance institutions in Malawi as moderate 43.3%. While 20% of the respondents rated the impact of Microfinance institutions in Malawi as Bad.

5) *Microfinance as a Poverty Reduction Strategy*

Based on the findings in the figure below, it is clear that microfinance is seen as poverty reduction strategy for many of the respondents who were involved in this study. 83.33% of the respondents from the questionnaires agree to this. Data obtained from the focus group discussions also suggests the same.

6) *Factors that Motivate Women to Undertake Businesses*

The findings from the questionnaires and focus group discussions indicate that the motivation factors for women entrepreneurs are; access to finance, spouse financial and social support, personal growth, independence, self-reliance, income security & financial success, dissatisfaction with current work arrangements and being your own boss.

7) *Recommendation to Enhance the Development of Women Owned Micro and Small Enterprises*

From the findings of this study the respondents recommended the following solutions that can help recommendation to enhance the development of women owned micro and small enterprises i.e., reduction of high interest rates from microfinance services, widening access to microfinance, offer adequate trainings regarding business management and financial literacy. The respondents also suggested that corrupt staff and harsh staff should be fired from microfinance institutions such as Vision Fund and FINCA Malawi.

8) *Findings from Secondary Data*

The Global Entrepreneurship Monitor study 2019 showed that women who live in Sub-Saharan Africa face challenges in accessing Enterprise Funds that are set up by governments, this challenge was also uncovered from the primary data findings.

Study by Siddiqui, 2012 in Asian society uncovered that women in that region are regarded as inferior to men and do not have the same freedom, it uncovered that they believe a woman should be a housekeeper, a partner, and remain dependent on her husband, a perception that discourages women from entrepreneurship. This information was also found to be true from the findings of this study. The majority of the respondents believe socially women are regarded as inferior in Malawi.

Table 5
Microfinance provides financial advice to the women entrepreneurs to invest in productive sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	4	13.3	13.3	13.3
	Agree	13	43.3	43.3	56.7
	Neutral	11	36.7	36.7	93.3
	Disagree	2	6.7	6.7	100.0
	Total	30	100.0	100.0	

Source: Primary Data, 2023

Table 6
Microfinance institutions provide tiny loans and accept deposits which help the woman to start small business with the capital of loan and equity from their deposits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	23.3	23.3	23.3
	Agree	13	43.3	43.3	66.7
	Neutral	5	16.7	16.7	83.3
	Disagree	4	13.3	13.3	96.7
	Strongly Disagree	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Source: Primary Data, 2023

Table 7
Microfinance provides financial advice to the women entrepreneurs to invest in productive sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	4	13.3	13.3	13.3
	Agree	10	33.3	33.3	46.7
	Neutral	8	26.7	26.7	73.3
	Disagree	8	26.7	26.7	100.0
	Total	30	100.0	100.0	

Source: Primary Data, 2023

Table 8
Microfinance provides skill to help the entrepreneurs to run their own business/work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	10.0	10.0	10.0
	Agree	10	33.3	33.3	43.3
	Neutral	9	30.0	30.0	73.3
	Disagree	8	26.7	26.7	100.0
	Total	30	100.0	100.0	

Source: Primary Data, 2023

Both the secondary and primary data indicate that women who entrepreneurs face the challenges of start-up capital, access to finance, training and education, lack of technology knowledge, lack of family support. From the secondary data generated from Tambunans Study in Muslim countries, religion is a big challenge for women regarding entrepreneurship. Women must be veiled or at least scarfed, they cannot walk without men, and have no free mobility. In Pakistan, for instance, even seats for women on public transport are limited. This when compared with the primary data indicates that this issue is ever so present in rural villages in Malawi.

Data from Chinomona & Maziriri 2015 study in South Africa uncovered that society discriminates against women. Women entrepreneurs suffer from gender inequality that discourages them from pursuing entrepreneurship, they face challenges in training and education, being discouraged from studying sciences such as chemistry, mathematics, physics and engineering, all of which are considered to be “male” subjects. The primary findings from this study also uncovered that some women are barred from accessing education in rural areas of Malawi.

9) *Response Rate*

During the actual data collection period, a total of 60 respondents successfully took part in data collection indicating a 100% response rate from the respondents.

5. Conclusion

The findings discussed and analysed here are through personal opinions backed up by information gathered in the field work and study. All comments made and arguments put forward are applicable to this research that assesses the impact of microfinance in the development of micro and small enterprises owned by women in Malawi. Microfinance has

positively impacted on the development of women owned businesses with 83.3% of respondents from the questionnaires agreeing to this. From the findings it was noted that its mostly women who are accessing microfinance services from the microfinance institutions such as Vision Fund Malawi.

The findings generated have uncovered the vast benefits that are gained after when access microfinance. Benefits such as contributing to household income, improvements in living standards, etc. Prominent challenges affecting women’s access to microfinance services are Lack of collateral, few or No financial institution in are, Harsh treatment from staff, and High interest rates associated with obtaining a loan. It can be concluded that the solutions that can help recommendation to enhance the development of women owned micro and small enterprises i.e., reduction of high interest rates from microfinance services widening access to microfinance, offer adequate trainings regarding business management and financial literacy.

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