

**EVALUATING THE EFFECTIVENESS OF VILLAGE BANKING IN  
UPLIFTING LIVELIHOODS OF RURAL WOMEN: CASE OF  
BLANTYRE RURAL**

**MASTER OF BUSINESS ADMINISTRATION DISSERTATION**

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**UNIVERSITY OF MALAWI**

**THE POLYTECHNIC**

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**Master of Business Administration Dissertation**

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**Submitted to the Department of Management Studies, Faculty of Commerce, in partial  
fulfilment for the requirement for the degree of Master of Business Administration (MBA)**

**University of Malawi**

**The Polytechnic**

**December, 2017**

## DECLARATION

I declare that this research report is my own except where acknowledged in the text and references. It is being submitted in partial fulfilment of the requirements for the award of the Masters in Business Administration in the University of Malawi. It has not been submitted before for any degree or examination in any other university.

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## CERTIFICATE OF APPROVAL

We, the undersigned, certify that we have read and hereby recommend for acceptance by the University of Malawi a thesis titled '*Evaluating the Effectiveness of Village Banking in Uplifting Livelihoods of Rural Women: Case of Blantyre Rural*'.

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## **DEDICATION**

I dedicate this paper to my wonderful husband, Christopher Nkhonjera Chibwana and my sons Yebo, Christopher Junior and Dylan for their moral support and kind understanding when I was doing my studies even when it demanded that I stay away from them sometimes and work late hours. It is further dedicated to my parents who have always inspired me all the way and encouraged me to aim high, my sisters and brothers and the entire Sakala and Nkhonjera families.

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My gratitude goes to all the 540 women both beneficiaries and non-beneficiaries of the village banking groups in Blantyre Rural Malawi, for the co-operation they accorded me and my team at the time of data collection and the entire period of my study.

Lastly, I am also grateful to my friends and classmates who supported me in different ways as I undertook my studies, my studies could have been difficult if it were not for their prayers, love, encouragement and support, God bless them all.

## ABSTRACT

For a long time, the poor in most developing countries like Malawi have been essentially shut out of credit and savings services because they do not meet the traditional criteria for borrowing since financial institutions regard them as high credit risk borrowers. It has therefore been argued that most of Malawi's smallholder farmers are too poor to be able to benefit from any kind of access to credit, and that, even if they had access to adequate credit and inputs, their land constraints are so severe that any increase in productivity would still fall short of guaranteeing their food security (Government of Malawi, 1995).

In relation to this problem, governmental and nongovernmental organizations in Malawi have introduced credit programs targeted at the poor people who have no access to credit facilities one of which is through the village savings and loans programs. However, the performance of village savings and loans programs and their impact on poverty reduction are not adequately documented and known in Malawi despite their becoming an important tool for poverty reduction. This paper therefore attempts to evaluate the effectiveness of these village-banking programs towards poverty reduction by assessing women in two strata. One stratum has women belonging to village groups while another stratum acts as a control. Each stratum has 10 randomly selected women. Locations where village groups do not exist within the similar characteristics of the locations where village groups existed qualified to be control locations. The study was conducted within the rural areas of Blantyre District. Twenty-seven village groups were chosen using a two-stage cluster sampling technique in each stratum. Ten female members were randomly selected from each village savings group as most village banking groups had an average of ten members hence this number was found to be informative and logical. The sampling frame of the yet to be published data collected by World Vision Malawi shows that Malawi has a total of 34,409 villages where 4,092 are in the Northern Region, 17,976 in the Central Region and 12,401 in the Southern Region. The records further showed that there are 607,261 members in village saving groups. The formula used to determine the sample size is detailed in the Methodology section. The sampling frame for control

groups was all semi-urban locations and villages where village groups have not yet been established.

The researcher used a combination of both qualitative and quantitative methods in data gathering. Data was collected from the primary sources by means of questionnaires distributed to 270 women beneficiaries in the targeted areas as well as 270 women in the control areas. Key Informant Interviews were also held with organization that implement and/or support village savings groups like World Vision Malawi and Care International. Secondary sources like activity reports, loan records and programme documents were also analysed. Data was analysed quantitatively through coding, counting, categorisation into tables and processing to provide frequency tables and percentages using the Statistical Package for Social Sciences (SPSS). Descriptive and univariate analyses were also done.

The researcher has concluded that there is a noticeable and positive impact of village banking activities on the living standards, empowerment and poverty alleviation among the poor women in the targeted society. This was evidenced by the fact that over 83.3% of households whether indulging in business or experienced an improvement in their livelihoods, 83% of the respondents had their income improved while 76.7% of the respondents faced an improvement in diet and more people had access to credit among others.

Since use of village banking alone as a tool for livelihood improvement cannot achieve much if the real causes of poverty are not directly addressed, it is recommended that government and other stakeholders should focus on developing efficient legal institutions and necessary infrastructure such as good roads, affordable health care and accessible market centres. It is also important that the government should make deliberate move on insurance policy to make sure that these women can also have soft and easy insurance policies to avoid losing their little savings through death of the member in the group since these village banks do not take security. Lastly, the village bank groups need to address all the pitfalls that are restraining other women from joining such groups if the village

banks are to play a more effective role in uplifting the livelihoods of Blantyre rural women.

# CONTENTS

DECLARATION .....	I
CERTIFICATE OF APPROVAL .....	II
DEDICATION .....	III
ACKNOWLEDGMENTS .....	IV
ABSTRACT .....	V
LIST OF TABLES .....	XI
LIST OF FIGURES .....	XII
LIST OF ABBREVIATIONS AND ACRONYMS .....	XIII
CHAPTER 1- INTRODUCTION .....	1
1.1 INTRODUCTION .....	1
1.2 BACKGROUND.....	3
1.3 PROBLEM STATEMENT .....	5
1.4 RESEARCH QUESTIONS .....	5
1.5 RESEARCH OBJECTIVES .....	6
1.5.1 Overall Objective.....	6
1.5.2 Specific Objectives.....	6
1.6 JUSTIFICATION OF THE STUDY .....	6
CHAPTER 2 – LITERATURE REVIEW .....	8
2.1 INTRODUCTION .....	8
2.2 MODELS OF MICROFINANCE .....	8
2.2.1 Associations Model.....	8
2.2.2 Bank Guarantees Model .....	8
2.2.3 Community Banking Model.....	9
2.2.4 Cooperatives Model.....	9
2.2.5 Credit Unions Model .....	9
2.2.6 Grameen Model.....	9
2.2.7 Group Model .....	10
2.2.8 Individual Model .....	10
2.2.9 Intermediaries Model.....	10
2.2.10 NGO Model.....	11

2.2.11	<i>Peer Pressure Model</i> .....	11
2.2.12	<i>ROSCA Model</i> .....	12
2.2.13	<i>Small Business Model</i> .....	12
2.2.14	<i>Village Banking Model</i> .....	12
2.3	VILLAGE BANKING AND WOMEN.....	14
2.4	MEASURING EFFECTIVENESS OF VILLAGE BANKING.....	16
2.4.1	<i>Scientific Method</i> .....	16
2.4.2	<i>The Humanities Tradition</i> .....	17
2.4.3	<i>Participatory Learning and Action Approach</i> .....	19
2.5	OTHER STUDIES ON IMPACT ASSESSMENT OF MFIS.....	20
2.6	BENEFITS OF VILLAGE BANKING.....	21
2.6.1	<i>The Role of Credit on Poverty Alleviation</i> .....	21
2.6.2	<i>Food Security</i> .....	24
2.7	CONCLUSION AND CHAPTER SUMMARY.....	25
CHAPTER 3 – RESEARCH METHODOLOGY.....		27
3.1	INTRODUCTION.....	27
3.2	RESEARCH APPROACH AND DESIGN.....	27
3.3	SAMPLING.....	28
3.4	TARGET POPULATION.....	29
3.5	PRIMARY DATA.....	29
3.5.1	<i>Questionnaire</i> .....	29
3.5.2	<i>Structured and Semi-Structured Interviews</i> .....	30
3.6	SECONDARY DATA.....	30
3.7	GATHERING.....	30
3.8	DATA PRESENTATION.....	30
3.9	DATA ANALYSIS.....	30
3.10	RESEARCH ETHICS.....	31
3.11	LIMITATIONS.....	31
3.12	CONCLUSION AND CHAPTER SUMMARY.....	31
CHAPTER 4 – FINDINGS AND DISCUSSIONS.....		32
4.1	INTRODUCTION.....	32

4.2	CHARACTERISTICS OF RESPONDENTS .....	32
4.2.1	<i>Age of Respondents</i> .....	32
4.2.2	<i>Marital Status of Respondents</i> .....	33
4.2.3	<i>Education Level of Respondents</i> .....	34
4.2.4	<i>Housing</i> .....	35
4.2.5	<i>Knowledge about Village Banking Groups (VBG)</i> .....	38
4.3	ACCESS TO CREDIT .....	39
4.4	MEMBERSHIP DURATION .....	40
4.5	REASONS FOR ACCESSING LOANS .....	40
4.7	PROFITABILITY.....	42
4.8	PROPERTY ACQUISITION.....	43
4.9	HOUSEHOLD DIET.....	44
4.10	HEALTH.....	45
4.11	CONCLUSION AND CHAPTER SUMMARY.....	46
	CHAPTER FIVE – SUMMARY CONCLUSIONS AND RECOMMENDATIONS.....	48
5.1	SUMMARY OF MAJOR FINDINGS.....	48
5.1.2	<i>Enhancement of a Savings Culture</i> .....	49
5.1.3	<i>Economic Inclusiveness</i> .....	50
5.1.4	<i>Increased Women’s Income</i> .....	50
5.1.5	<i>Improved General Wellbeing</i> .....	51
5.2	RECOMMENDATIONS .....	52
5.2.1	<i>Women and Education</i> .....	52
5.2.2	<i>Government Intervention</i> .....	53
5.2.3	<i>Address Membership Shortfalls</i> .....	53
5.3	SCOPE FOR FURTHER RESEARCH.....	54
5.4	CONCLUSION AND CHAPTER SUMMARY .....	55
	REFERENCES.....	56
	APPENDIX.....	61
	APPENDIX 1: QUESTIONNAIRE FOR BENEFICIARIES OF VILLAGE BANKING .....	61

## LIST OF TABLES

Table 4.1: Number of Children and/or dependents per Household.....	34
Table 4.2: Education Status of Members of Village Banking Group by Region.....	35
Table 4.3: To Whom does that House You are Staying in Belong?.....	36
Table 4.3.1: House Characteristics (Wall).....	37
Table 4.3.2: House Characteristics (Roof).....	37
Table 4.3.3: House Characteristics (Electricity).....	38
Table 4.4: House Characteristics (by %).....	40
Table 4.5: Duration of VBG Membership by VB.....	41
Table 4.6: Are you in Business?.....	42
Table 4.7: Monthly Income.....	43
Table 4.8: Property Acquisition.....	44
Table 4.9: How has Household Diet Improved since Joining VBG? .....	45
Table 10a: Health Status after Joining Village Bank.....	45
Table 10b: Health Status after Joining Village Bank.....	46

## LIST OF FIGURES

Figure 4.1: Age distribution by Region .....	33
Figure 4.2: Marital status by Region .....	34
Figure 4.3: Which of these products attracted you to join VBG? .....	39
Figure 4.4: Have you received credit from this particular village bank.....	39
Figure 4.5: What was the purpose of the loan? .....	41

## **LIST OF ABBREVIATIONS AND ACRONYMS**

CRS	Catholic Relief Services
FHI	Freedom from Hunger International
FINCA	Foundation for International Community Assistance
IA	Impact Assessment
MDG	Millennium Development Goal
MK	Malawian Kwacha
NGO	Non-governmental Organizations
ROSCA	Rotating Savings and Credit Associations
SME	Small and Micro Enterprises
UNDP	United Nations Development Programme
UN	United Nations
VGB	Village Banking Group
VSLA	Village Savings and Loan Associations
WEB	World Business Environment Survey
SEWS	Self- Employed Women’s Association

# CHAPTER 1- INTRODUCTION

## 1.1 Introduction

Village banking is currently gaining ground worldwide in general. Heter (2008) observes that microfinance in general and the village-banking model in particular has become prominent over the last two decades with the role of village banking being acknowledged in the 1970s. Informal lending (village banking) plays an important role in generating income hence helps in sustainable development, poverty alleviation and female empowerment (Berger, et al., 1999). Similarly, a study done by Chandler, et al. (1998) in Bangladesh also confirmed that micro-credit programmes have a positive impact on income, production, and employment particularly in the rural non-farm sector.

Village banking has become an important instrument for poverty alleviation in developing countries today (Chirwa, 2002). In many developing economies, lack of savings and capital makes it difficult for the poor masses to engage in self-employment and undertake productive employment-generating activities (Chandler, et al., 1998). Poverty is described as the main development problem confronting the government of Malawi today since the transition from a single party dictatorship to a multiparty democracy (Chirwa, 2002).

Village Banks are therefore established to improve the lives of poor people. Village banks normally target poor women or households headed by women to help them have access to financial services, build a community self-help group and financial association and help members to accumulate savings (Otero, et al. 1994). Takane (2007) observes that 25% of the households in Malawi are headed by women; out of which, 63.5% of them live below the poverty line. In addition, women seem to be bearing the burden of doing all the household chores including food processing and preparation, fetching water and firewood, but all this work is not recognised as work; however, this does not give women enough time for their self-development (Mutangadura, 2005). Mbilizi (1999) concurs with Mutangadura as he observed that rural women in sub-Saharan Africa seem to shoulder all the responsibility of sourcing food, caring for children and managing all household activities. Furthermore, Mbilizi (1999, p.23) noticed that “through prejudices

of a series of taboos, laws, and patriarchal conventions, men have maintained a strict posturing over women's mobility and control over their lives, imposing values of superiority, competition and hierarchy".

UNDP (2010) also observed that 65% of the Malawian population live below the national poverty line and more than half are women. National Statistics Office (2005) defines below poverty line in Malawi as MK16, 165 (US\$115) per person per year. Whitehead (2003) and Mbilizi (1999) concur with UNDP and Takane as they observed that more than half of the poor in developing countries are women. Today, Malawi has a number of governmental and non-governmental organizations offering financial services to the poor. To ensure that these programmes benefit the targeted people (the poor Malawians) most of these institutions' operations are localised.

Village banks' interest rates are not regulated by the Reserve Bank of Malawi but members agree on what should be their interest rate as a group. However, the commercial banks revise their lending rates in response to the Reserve Bank of Malawi's liquidity reserve requirements and lending rate (reference rate). Recently thus from 23 to 24<sup>th</sup> March 2017, the Monetary Policy Committee (MPC) met to review global and domestic economic development and they decided to reduce the Policy Rate (PR) to 22% percent and maintain the Liquidity Reserve Rate at 7.5 percent. The prime interest rates on commercial loans now range from 30 – 35% but have for the past 5 years ranged between 31% and 38%. The lending rate is even higher in microfinance institutions that borrow money from commercial banks to on-lend to their clients. Interest rates in microfinance institutions range from 40 to 48 per cent per annum. The high interest rates have made it more difficult for poor people in Malawi to have access to finance in formal financial markets at reasonable cost.

In most cases, though village bank rates differ from group to group, they are cheaper compared to the formal market rate of commercial banks and microfinance institutions if one considers once off loans chargeable at 10% per loan for 3 or 6 months duration. The magnitude of the village bank loan interest only becomes equal to or slightly more

expensive than commercial bank loans in instances where one gets 4 consecutive loans of 3 months duration each per annum. This rarely happens due to the revolving nature of the available savings among members and the small amount of savings available for credit among the members.

A study by Chipeta and Mkandawire (1991) observed that interest rates offered/charged by informal moneylenders in Malawi ranged from 300 to 1200 per cent per annum that is much higher than interest rates in the formal financial sector. Chirwa (2002) further argues that microfinance institutions provide a bridge between formal and informal financial markets in developing economies by implanting innovative strategies of delivering financial services to the poor. Such strategies include simpler delivery mechanisms and simple forms of collateral, if it is required at all, as well as on-going and increasing access to credit for those who repay in time.

## **1.2 Background**

Khan and Bahaman (2007) state that microfinance is not a new development; Braun and Woller (2009) also note that throughout history people in need of financial services who lack opportunity or ability to enter the formal financial market usually due to the need for collateral (the poor man's obstacle to receiving bank loans), or the cost for banks of screening and monitoring their activities, have designed micro saving and micro credit programmes as an alternative.

Since late 1970s, poor people in developing economies have increasingly gained access to small loans with the help of what are termed village banks. In Malawi for example, the purpose of Liwonde based Kwatukumbuchire's village savings and loans is simple – providing the community with a means of investing their money and sustaining their businesses, thereby empowering people and causing a 'paradigm shift' from 'victims to victors' Chirwa (2002). A village bank is an informal self-help support group of 15-30 members, predominantly female heads-of-household (Grameen Bank, 2000). These programmes have been introduced in many developing economies especially in the last ten years. Well-known examples are the Grameen Bank in Bangladesh, Banco Sol in

Bolivia and Bank Rakyat in Indonesia. The Grameen Bank system of group lending (established in 1976 by Mohammad Yunus, a Bengal banker and economist), in particular, has been widely copied in other developing countries.

Village banking as one of the models of microfinance is attributed to John Hatch, founder of The Foundation of International Community Assistance (FINCA) in 1984; they are community-managed credit and savings association (Bram & Woller, 2009). Zeller & Johannes concur with Bram and Woller on the history of village banking. They state that “Village banks” are semi-formal, member-based model that are promoted by international nongovernmental organizations (NGOs), first by FINCA and then later – with modifications to the original model with respect to complementary services or greater decision autonomy granted to members - by Freedom from Hunger International (FHI), Catholic Relief Services (CRS), Save the Children, and others (Zeller & Johannes, 2006). Bram and Woller 2009 state that, village banks are comprised of a larger group of 15 to 30 people, they are less complex in structure and administration than credit unions which are non-profit organization that accept deposits, make loans and return surpluses to its members in terms of dividends. The group independently manages the loans that are distributed among members. This makes it an independent institution in the medium term and the members are responsible for leadership, bylaws, record keeping, managing funds and supervising the loans (Trezza, 2006).

Village banks depend on a variation of the group lending methodology where loans are administered in cycles at the group level and then distributed amongst all the group members. The loans are renewable depending on the member’s repayment history and savings accumulated during the previous cycle. The system relies on a methodology of mutual-guarantee type of lending. Under this system, each member of a village bank is responsible for the other member’s loan. This system gives social pressure to the members of the village bank hence motivating the group members to repay their loans in full. Grameen Bank (2000).

Machinjiri, et al. (1999) in a survey on the perception of poverty in Malawi note that village banking is associated with households that lack adequate incomes, employment opportunities, sufficient food, adequate shelter and clothing, security, credit opportunities, adequate infrastructure, entrepreneurship spirit, inputs and transport facilities. For the purposes of this study, poverty shall mean a lack of two or more basic services as outlined by Machinjiri, et al. (1999) or lack of adequate services for a household or an individual.

### **1.3 Problem Statement**

The Government of Malawi and various organizations including microfinance organizations have employed several initiatives including village banks to mitigate economic challenges facing the rural poor in Malawi through access to credit facilities. One such area where village banks flourish is Blantyre rural. However, the question remains: to what extent, if at all, are village banks effective in addressing the basic needs of poor households in Blantyre rural? This is a good question to answer as it does not only unearth the strengths and weakness of village banks in addressing the needs of Blantyre rural women, but it also begs the question: what interventions, if any, need to be put in place to enhance village banks as tools for addressing poverty.

In order to answer this question, a study will be conducted with the intention of assessing the change, if any, in the livelihood of women who are beneficiaries of village savings and loans compared to those who are non-beneficiaries in the same environment in rural Blantyre district and what mechanisms can be put in place to address any shortfalls to be noted that are hindering the effectiveness of village banks in uplifting the livelihoods of Blantyre rural women.

### **1.4 Research Questions**

The main research question was:-

To what extent are the informal village banking programmes contributing towards uplifting the livelihoods of their women beneficiaries in the rural areas of Blantyre District?

The associated research questions that the research was answered in this study were:

- (a) What, if any, noticeable positive changes can be seen in the livelihoods of the households who are participants of village banking as compared to those who do not participate in village banks?
- (b) What are the factors that affect access to village banking loans and how can these factors be improved to increase the effectiveness of village banking on the livelihood of the rural women in Blantyre?

## **1.5 Research Objectives**

### **1.5.1 Overall Objective**

The main purpose of this study is to evaluate the effectiveness of Informal Village Banking Programmes in uplifting the livelihoods of its beneficiaries in Blantyre rural.

### **1.5.2 Specific Objectives**

- (a) To establish the change in livelihoods of the households who are participants of village banking that is attributed to their participation in village banks.
- (b) To determine the factors that affect access to village banking loans and how these factors can be improved to increase the effectiveness of village banking on the livelihood of the rural women in Blantyre.

## **1.6 Justification of the Study**

Limited access to credit has been identified in a number of studies as one of the major constraints that hinder the process of empowering the poor to break out of the poverty circle (Moshendanin, et al., 2004). In view of this, the first Millennium Development Goal (MDG) targets to reduce the proportion of people whose income is less than 1\$ a day and who suffer by hunger by half by the year 2015 (UN, 2006). Chandler 1998

concurr with Moshendanin, et al. (2004) and states that in many developing economies lack of savings and capital make it difficult for many poor to engage in self-employment and undertake productive employment-generating activities. The World Bank (2001) notes that access to credit may help the poor avoid distress sales of assets and replace productive assets destroyed in a natural disaster. Thus, village banking programmes help the poor households diversify their sources of income and reduce their vulnerability to income shocks (Pretes, 2002).

In relation to the points above, in 1995 the Malawi Government produced a policy framework for addressing poverty at a national scale against a background of poverty that was estimated at 54% of the population by the World Bank (1995). Khandker, et al. (1998), also note that the main aim of micro-credit programmes is to ease the credit constraints of households or to provide them with capital to invest in an activity, thereby increasing their income and consumption. Microcredit is, therefore, considered as one of the ways that can help to reduce poverty. There is thus a justified need for an evaluation study on the effectiveness of access to credit through village banks as a way of getting feedback from the borrowers on its benefits, challenges, lessons learnt and to come up with tools that village banks can effectively utilise to achieve their objectives.

## **CHAPTER 2 – LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the existing literature on microfinance with a holistic approach on both positive and negative effects of microfinance services. It further looks at different existing microfinance models, village banking, women, and mechanisms used to measure their effectiveness. It also focuses on what other scholars have written in regard to the effectiveness of village banking.

### **2.2 Models of Microfinance**

There are 14 different models of micro financing (Grameen Bank, 2000). The models were developed through extensive field work/observations and interviews carried out in India, Thailand, Philippines, Indonesia and Sri Lanka, and incorporation of information from literature as well. These models include Associations, Bank Guarantees, Community Banking, Cooperatives, Credit Unions, Grameen, Group, Individual, Intermediaries, NGOs, Peer Pressure, ROSCAs, Small Business and Village Banking models. In reality, the models are loosely related with each other and most good and sustainable microfinance institutions have features of two or more models in their activities, some of the models are;

#### **2.2. Associations Model**

In this model, the target community, mostly women, forms an association or a group normally around political, religious and cultural issues with support structures for micro-enterprises and other work-based issues.

#### **2.2.2 Bank Guarantees Model**

This model involves the use of a bank guarantees to obtain a loan from a commercial bank. These guarantees may be arranged externally (through a donor/donation, government agency etc.) or internally (using member savings). Loans obtained may be given directly to an individual, or they may be given to a self-formed group.

### **2.2.3 Community Banking Model**

This model essentially treats the whole community as one unit, and establishes semi-formal or formal institutions through which microfinance is dispensed. These institutions may have savings components and other income generating projects included in their structure. In many cases, community banks are also part of larger community development programmes which use finance as an inducement for action.

### **2.2.4 Cooperatives Model**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Some cooperatives include member-financing and savings activities in their mandate.

### **2.2.5 Credit Unions Model**

A credit union is a unique member-driven, self-help non-profit making financial institution. It is organised by and comprises members of a particular group or organisation membership like employees, church, labour union, social fraternity etc, who agree to save their money together and to make loans to each other at reasonable rates of interest.

### **2.2.6 Grameen Model**

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Yunus, 1999). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Repayments are usually made weekly (Ledgerwood, 1999).

Solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organisations such as the Grameen Bank, who use this type of microfinance model (Berenbach & Guzman, 1994). They also highlight the fact that

this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network (Yunus, 1999).

### **2.2.7 Group Model**

The Group Model's basic philosophy lies in the fact that shortcomings and weaknesses at the individual level are overcome by the collective responsibility and security afforded by the formation of a group of such individuals. The collective coming together of individual members is used for a number of purposes: educating and awareness building, collective bargaining power and peer pressure. The Group model is closely related to, and has inspired, many other lending models. These include Grameen, community banking, village banking, and self-help, solidarity, and peer pressure.

### **2.2.8 Individual Model**

This is a straightforward credit-lending model where micro loans are given directly to the borrower. It does not include the formation of groups, or generating peer pressures to ensure repayment.

The individual model is, in many cases, a part of a larger 'credit plus' programme, where other socioeconomic services such as skill development, education, and other outreach services are provided.

### **2.2.9 Intermediaries Model**

The intermediary model of credit lending positions a 'go-between' the lenders and borrowers. The intermediary plays a critical role of generating credit awareness and education among the borrowers (including, in some cases, starting savings programmes). These activities are geared towards raising the 'credit worthiness' of the borrowers to a level sufficient to make them attractive to the lenders.

The links developed by the intermediaries could cover funding, programme links, training and education, and research. Such activities can take place at various levels from international and national to regional, local and individual levels.

Intermediaries could be individual lenders, NGOs, microenterprise/microcredit programmes, and commercial banks (for government-financed programmes). Lenders could be government agencies, commercial banks and international donors.

### **2.2.10 NGO Model**

NGOs have emerged as a key player in the field of micro credit. They have played the role of intermediary in various dimensions. NGOs have been active in starting and participating in micro credit programmes.

This includes creating awareness of the importance of micro credit within the community, as well as various national and international donor agencies.

They have developed resources and tools for communities and micro credit organisations to monitor progress and identify good practices. They have also created opportunities to learn about the principles and practice of micro credit. This includes publications, workshops and seminars, and training programmes.

### **2.2.11 Peer Pressure Model**

Peer pressure uses moral and other linkages between borrowers and project participants to ensure participation and repayment in micro credit programmes. Peers could be other members in a borrowers group (where, unless the initial borrowers in a group repay, the other members do not receive loans. Hence pressure is put on the defaulting members to repay); community leaders (usually identified, nurtured and trained by external NGOs); NGOs themselves and their field officers; banks etc.

The 'pressure' applied can be in the form of frequent visits to the defaulter, community meetings where they are identified and requested to comply etc.

### **2.2.12 ROSCA Model**

Grameen Bank (2000) states that Rotating Savings and Credit Associations or ROSCAs, are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle.

According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbours and friends, and the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go-rounds or Self-Help Groups (Yunus, 1999).

### **2.2.13 Small Business Model**

The prevailing vision of the 'informal sector' is one of survival, low productivity and very little value added. However, this has been changing, as more and more importance is placed on small and medium enterprises (SMEs) – for generating employment, for increasing income and providing services that are lacking.

Policies have generally focused on direct interventions in the form of supporting systems such as training, technical advice, management principles etc.; and indirect interventions in the form of an enabling policy and market environment.

A key component that is always incorporated as a sort of common denominator has been finance, specifically micro credit - in different forms and for different uses. Micro credit has been provided to SMEs directly, or as a part of a larger enterprise development programme, along with other inputs.

### **2.2.14 Village Banking Model**

Hulme (1999) states that, village banks are community-based credit and savings associations with an aim of providing access to financial services and help members accumulate savings. Rasmussen 2011 states that with the recent development in micro finance, village banks are now called village savings and loan associations (VSLAs). He

states that as village banks, they are community-managed microfinance organisations that facilitate methods of saving as well as borrowing for the rural poor population.

Mersland and Eggers (2007) note that a central part of the VSLA model is on group formation. While Mersland and Eggers (2007) note that VSLAs normally consist of 25 to 50 low-income individuals who are self-selected and are seeking to improve their lives through self-employment activities, Allen and Staehle (2009) state that formation is done on the basis of members deciding themselves on the composition of the group. Grameen Bank (2000) states that though the initial loan capital for the village bank may come from an external source, the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and savings that help to increase sustainability of the groups.

Members are usually requested to save 20% of the loan amount per cycle (Lidgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's lending activities. Many village banks target women predominantly, as according to Hulme (1999) the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

Village banking loans and savings play an important element in group-based approach to poverty reduction in the sense that VSLAs assist in providing financial services to populations that cannot produce collateral (Abbink, et al., 2006; Karlan, 2006). Clever (2005) and Irving, (2005) concur with Abbink, et al. (2006) and Karlan (2006) and notes that VSLAs help the poor to rely on close relations to provide social security due to lack of other forms of assets as collateral. The Village Banking model is closely related to the Community Banking and Group models. This model is widely adopted and implemented by FINCA.

### **2.3 Village Banking and Women**

Biswas (2008) notes that concerns with women's access to credit and assumptions about contributions to women's empowerment are not new. From the early 1970s, village banking loans have helped in empowering many women. Village banking is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. It is, therefore, essential that women's access to financial services and human rights should be promoted (Biswas, 2008). Women's movements in a number of countries have become increasingly interested in the degree to which women are able to access poverty-focused credit programmes and credit co-operatives. In India, organizations like Self-Employed Women's Association (SEWA) among others with origins and affiliations in the Indian labour and women's movements identified credit as a major constraint in their work with informal sector women workers.

Aryeerey (2008) states that more than half of the population in sub-Saharan Africa- (of which Malawi is a part) is made up of women who are responsible for the majority of the household work such as provision of health care, food and water. They also have greater influence on population growth rate, infant mortality and children's education and nutrition; yet, they lack equal opportunity to education, credit facilities, technology, employment, administrative roles and political powers, despite the profound and pervasive impact they have on the well-being of their families and community.

Blackden and Rwebangira (2004) allege that women constitute 50.6% of the employed labour force in Tanzania. Their overall labour force participation rate including the informal sector is 80.7 per cent, which is slightly higher than that of men at 79.6%. Whitehead (2003) and Mbilizi (1999) concur with Aryeerey (2010), and allege that more than half of the poor in developing countries are women. Cheston, in the State of the Microcredit Summit Campaign 2001 Report, further notes that 14.2 million of the world's poorest women have no access to financial services. Ellis, et al. (2007) indicate that despite women's high economic participation rate, men account for 71 per cent of

workers in Tanzania's formal sector employment and are more likely to be in paid jobs than women are.

Due to lack of access to both physical and financial resources, women are considered the most vulnerable and less "empowered" in developing countries (Okidi & Mugambe, 2002). The United Nations (2000) and Martin, et al. (1999) strongly believe that women who depend on their male partners financially are less likely to move away from abuse. Terry (2006) finds that loans from FINCA-Tanzania create major positive changes in the lives of female borrowers, including an improvement in social status and self-esteem, and an increase in confidence.

According to the Constitution of Malawi (1994), both men and women have equal rights; however, White and Kachika (2009) strongly believe that there are large inequalities between men and women in Malawi. This may be due to traditional cultural explanations on differing roles for men and women, or to women's lower educational attainment. Falowe (2008) assert that only when equity is promoted between men and women will economic violence no longer be the norm.

The inequality between men and women is very evident as women are largely denied credit or are discouraged from accessing credit because of high collateral that is normally required which most women cannot afford. Katepa-Kalala, et al. (1999) note that women have less access to a large number of resources compared to men, resources like credit facilities, land ownership, property, and education training facilities. This therefore puts women at a disadvantage, as a large number of low-income women do not own land or assets that can be used as collateral. Women therefore, struggle to access credit although they are believed to have a better record of paying back loans than men (Mutangadura, 2005; Ngwira, 2008; Katepa-Kalala, 1999; White & Kachika, 2009).

Adongo and Stork (2005) and Hossain and Knight (2008) agree that lack of collateral is among key reasons why the poor cannot access loans through the formal sector. According to Adongo and Stork (2005), financial institutions require security when

providing credit. Women in Tanzania are estimated to own about 19 per cent of registered land, and their plots are less than half the size of those of their male counterparts (Ellis, et al., 2007).

Deere and Leon (2001) and Carter (2003) state that emphasis should, therefore, be put in promoting women's right to own land and property so that they can have equal access to credit. They also state that civic education is needed for women to know their rights and to sensitise the society so that the beliefs and attitudes of having women being abused as normal could be changed.

According to Mayoux (1995), the problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies, and for women's rights. He states that this development led to the setting up of the Women's World Banking network and production of manuals for women's credit provision. The concern was fully supported that other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues. He further states that from the mid-1980s, there was mushrooming of donor, government and NGO-sponsored credit programmes in the wake of the 1985 Nairobi women's conference.

## **2.4 Measuring Effectiveness of Village Banking**

### **2.4.1 Scientific Method**

This method uses quasi experiments to establish links between causes and effects. Using this method a comparison can be made of a situation where there was an intervention from one without (Casely & Lury, 1982).

There are two approaches under this method the most common and first one being multiple regressions approach but it is rarely used due to huge data demands on related causal factors (Mosley, 1997).

The second approach under this method is the control group method that has been widely used. Under this approach, you compare the situation of a group that is subjected to a specific intervention before and after such intervention with another group that was not so subjected.

This approach has several challenges including susceptibility to biasness in sample selection due to difficulties in identifying identical groups with respect to economic, physical and social set up that can be used for the required comparison. Hence, one needs to be thorough in the selection process to minimise such bias. Secondly, there can be miss-specification of various relationships that may affect the outcome of an intervention due to the assumption that causality is a one-way process. There is therefore need to adopt models that conceptualize causation as a two-way process by the use of two stages least squares technique and regression analysis (Mosley, 1997). The third and the last problem under this approach is lack of respondent motivation. Most control groups do not have much incentive to cooperate, as they often are detached from the programme. This problem is high especially if longitudinal data is to be collected; the second and third interviews have much less amusement value that will affect the outcome. To overcome this problem there is need to reward interviewees (Hulme & Mosley, 1996).

#### **2.4.2 The Humanities Tradition**

This method seeks to interpret the attendant processes during an intervention and the likely impacts. It recognizes that there are often various and often conflicting explanations of the outcomes and achievements of a program.

However, there are problems when analysing the link between the cause of the outcome and effect of the intervention. These studies do not often demonstrate the causal link since they are unable to provide a 'without program' control group. Hence, causality is deduced from the data on the causal chain collected from the would-be beneficiaries and key informants, and by distinguishing the data from secondary sources on changes in out-of-program areas. Problems also abound as often the labels 'rapid appraisal', 'mini-

survey' and 'case study' are applied to *ad hoc* studies which do not meet minimum professional standards in terms of informant selection and data collection and analysis(Chambers, 1993).

The validity of specific Impact Assessment (IA) and adoption of this approach has to be judged by the reader based on the logical consistency of the arguments and materials presented; the strength and quality of the evidence provided; the degree of triangulation used to cross-check evidence; the quality of the methodology; and the reputation of the researcher(s).

It is becoming increasingly common to combine 'scientific' and 'humanities' approaches so as to check the validity of information and provide added confidence in the findings (for example Hulme and Mosley (1996); Schuler and Hashemi (1994); Hashemi, et al. (1995)). In the future dealing with attribution by multi-method approaches seems the way forward.

Data generated in humanities tradition method is often qualitative though some data may be quantified at analysis stage. It is only during the 1980s that its relevance for IA was recognized due partly to the potential contribution of qualitative approaches (especially in understanding changes in social relations, the nature of program staff-beneficiary relations and fungibility) and partly due to the widespread recognition that much IA survey work was based on inaccurate information collected by questionnaires from biased samples (Chambers, 1993).

While such studies cannot provide the degree of confidence in their conclusions that a fully resourced scientific method approach can yield, my personal judgment is that in many cases their conclusions are more valid than survey based IA work that masquerades as science but has not collected data with scientific rigor.

### **2.4.3 Participatory Learning and Action Approach**

This approach challenges the validity and utility of the scientific method in developmental problems; hence, it is often used in Impact Assessment to development planning. It states that Scientific Impact Assessment method fails since it ignores the complexity, diversity and contingency of winning a livelihood; it reduces causality to simple unidirectional chains, rather than complex webs; it measures the irrelevant or pretends to measure the immeasurable; and, it empowers professionals, policymakers and elites, thereby reinforcing the *status quo* and directly retarding the achievement of development goals. It states that there are multiple realities rather than one ultimate objective that must be understood and before any analysis or action is taken the individuals concerned must fully be aware as to whose reality counts.

The approach also emphasises the involvement of the targeted group in problem identification and analysis and knowledge creation if the purpose is about women empowerment or ‘empowering the poor’ (Chambers, 1997). The challenge however is how to capacitate the local people for them to be able to identify their own indicators, establish their own participatory baselines, monitor change, and evaluate causality. This notwithstanding, when well-conducted, participatory methods can be more reliable than conventional surveys as the latter appear useless for impact assessments (Chambers, 1999). By involving the target group two objectives may be achieved; better impact assessments, intended beneficiaries will be ‘... empowered through the research process itself. In addition, it can be argued that PIA contributes to program goals, perhaps particularly in terms of empowering women and the poor by not facilitating the continued dominance of target groups by powerful outsiders’ (Mayoux, 1997).

The accuracy of participatory methods, like ‘scientific’ surveys, varies enormously as it depends ‘... largely on the motivation and skills of facilitators and those investigated and the ways in which informants’ perceptions of the consequences of research are addressed’. Agencies such as Proshika in Bangladesh have begun to use these methods extensively for their assessment and planning exercises. In practice though, the art of

participatory impact assessment (PIA) is in its infancy and a pragmatic rather than a purist approach has been common (Mayoux, 1997).

There are several problems that go with PIA because of the subjectivity of its conceptualizations of impact; the subjectivity of the data used to assess impact; the variables and measures used vary from case to case and do not permit comparison; its pluralist approach may lead to a number of mutually conflicting accounts being generated about causality; and, the assumption that because lots of people are taking part in an exercise means that all are able to 'voice' their concerns (so that opinions are representative) is naive about the nature of local power (Mayoux, 1997).

## **2.5 Other Studies on Impact Assessment of MFIs**

Kay (2003), on a study to address the challenging issue of whether self-help micro credit programmes are tools for empowering poor women, states that the measurement of impact of such programs should be broader. He states that the yardstick for measuring the performance of these schemes should not be based on economic variables, such as loan repayment rates alone. The author alleges that while financial viability is important for sustainability, indicators should also include the contribution to meeting basic needs for household subsistence, reducing vulnerability to risks and enhancing social capital and empowering women.

Although Microfinance has been regarded as an important tool for fulfilling the millennium goal of alleviating poverty and hunger through covering costs and financing the poor, Performance Measurement Framework (PMF) is imperative to judge whether microfinance is worthwhile or worthless (Mustafa & Saat, 2013). The Input-Impact Model is one of the known tools that can be used to judge this impact. According to Mustafa and Sat, this model emphasizes the input-process on output outcome framework. Its measurement links the five stages of input, processing system, outputs, outcomes and goal as areas of focus utilizing the concepts of cause and effect as key variables it is therefore able to differentiate between classes of measure namely output and outcome.

The Input-Impact Model is also called the Programme Logic Model. It links impacts which can be short or long term with programme activities/processes and theoretical assumptions underlying a programme. The model helps in showing the cause-and-effect relationships underlying the programme of a non-profit making organization. Apart from Micro finance institutions, the model can also be used by other organizations whose mission is alleviation of poverty. According to this model, the programme is said to be successful if there is a positive outcome in the participants involved. The participants should benefit in a certain way; if the participants benefit then there are certain positive changes or impacts in the communities or society as a whole, (Epstein & Buhovac, 2009).

According to Epstein and Buhovac (2009), this model also helps in providing an exemplary template of how non-profit organisations can select the main programme objectives which can help them to attain their mission and vision objective and having the intention of more specifically articulating other relevant inputs to the programme logic model, not just resources. The *Input-Impact Model* puts the mission and vision statements at the core, and also places strategy, organizational structure, systems (as well as the internal environment) among the inputs. It also further specifies other elements from the programme logic models, such as internal and external outputs.

## **2.6 Benefits of Village Banking**

### **2.6.1 The Role of Credit on Poverty Alleviation**

According to Khandkeras quoted in Morduch and Haley (2002), the benefits of a credit program are not only limited to consumption, they also help in poverty alleviation programs and in fact, they appear to be more effective than other targeted poverty alleviation programs. Credit programs such as rural based formal finance or infrastructure development projects seem to be more cost-effective than non-targeted programs. Microfinance and poverty are closely linked and microfinance has become an important instrument for poverty alleviation in developing countries (Chirwa, 2002). Chandler (2005) finds that microfinance accounts for 40% of the entire reduction of moderate poverty in rural Bangladesh (Zeller, et al., 1997) also notes that access to credit affects household welfare outcomes through the alleviation of the capital constraints on

agricultural households, increasing a household's risk-bearing ability and by altering its risk-coping strategy and for consumption smoothing. McNelly and Dunford (1999) also find a positive impact on income of the clients who had access to credit as compared to those who did not have. Zaman (2000) states that there is a positive impact on the welfare of clients that participate in micro-credit programs as it reduces vulnerability by smoothing consumption, building assets, providing emergency assistance during natural disasters, and empowering females.

Pretes (2002) argued that "micro equity" finance, in the form of small business start-up grants, might be preferable to micro credit programs that provide small loans. The study established that in most business ventures, a variety of financial services was needed to cover different stages and needs of the business at any given time. It indicated that in developing countries, loans (especially for very poor residents) might not be the most appropriate source of financing for new or innovative micro enterprises. Loans may instead be suitable in cases where a micro enterprise was already profitable and can afford the risk of a loan for business expansion.

Kevin in Morduch and Haley (2002) notes that income and poverty reduction was a function of two factors: the rate of growth and the distribution of income. Education generates important benefits in both areas, as it is positively associated with the rising productivity and innovation upon which economic growth depends.

Chen, et al. (2006) indicated that few studies focus on the relationship between financial development and income distribution. Existing studies explored the association between economic growth, financial development and income distribution, with income distribution treated as exogenous. The initial income gap would not be reduced unless financial markets (especially the credit market) were well developed (Banerjee & Newman in Chen, et al., 2006). Mosley and Hulme (1998) in their study of 13 micro finance institutions in seven developing countries concluded that household income tended to increase at a decreasing rate, as the debtors' income and asset position reduced poverty. Thorp, et al. (2005) concurs with Chen, et al. (2006) she indicates that lack of

access to assets alleviate chronic poverty. Clark, Xu & Zou in Chen, et al. (2006) using cross-country data, explored how financial development influenced income distribution and they all found that financial development robustly reduced the level of income inequality.

The use of group methodologies to fight poverty can be greatly advantageous to members to reach certain goals (Thorp, et al., 2005). In 2005, 83% of the population in Malawi were living in rural areas of which over 70% were poor, which makes it difficult to access credit hence resulting in an increase in poverty (World Health Organisation, 2008). It is therefore difficult for most poor people in Malawi to have access to credit due to lack of collateral. Group formation among the poor (like village banks) is now a widely used tool to path the way out of poverty (Wong, 2003). The concept of group lending has helped the poor to overcome the need for collateral which in, most cases, is their obstacle to access credit. This is the case because group lending relies on mutual guarantee or group solidarity (Duvendack, et al., 2011; Galab & Rao, 2003; Yunus, 2007).

The benefits of village banking include peer selection, peer monitoring, and peer pressure. MFIs targeted to poor people can operate successfully and achieve high loan recovery rates if they develop lending technologies that do not rely on collateral, but instead cultivate borrower's expectations for higher and continuous access to credit, and establish an effective screening and monitoring system using their field staff (Diagne, 2000).

Despite all the positive correlation between microfinance and poverty alleviation, a few studies, however, have failed to find positive impacts on income from microfinance participation. Anbarasan (2010) states that microfinance is not a silver bullet for poverty alleviation he rather describes it as a fuel mechanism for poverty alleviation as owners tend to make more money on the poor. Village bank credit did not have any significant impact on physical asset accumulation, production and expenditure on education. The women ended up in serious multiple debts as they used the village bank money for

consumption and had no choice but to borrow from moneylenders at high interest rates in order to repay the village bank loans (Coleman, 1999). Therefore, in the conclusion to his study, Coleman states that the poor are poor because of other factors and not necessarily due to lack of access to credit.

According to the study conducted in Rwanda, many credit and savings programmes do not reach the poorest though they are claimed to be their target. For them the poor are not attractive if they are to sustain the programme. Even the selection of members in a group excludes the poorest as member's automatically select members who can offer their small collateral within the groups, and so because the poorest have nothing to offer, they are automatically excluded from the group.

Micro credit programs charge high interest rates for generation of profits and to reduce reliance of microfinance institution on external funding (Hossain, 2008). Microfinance will always have higher costs or interest rates for the amount they lend because they lend to high risk clients, which goes against their main objective to help the poorest poor Andongo and Stork (2005). Masanjala & Tsoka (1997) find little impact of FINCA Malawi on living standards and expenditure patterns. Ssendi and Anderson (2009) also find little long-term effect, as measured by increases in household assets.

### **2.6.2 Food Security**

According to Jayne, et al. (1994) access to credit for both food and farm inputs can help in ensuring that the vulnerable groups have enough food. Pronyk, et al. (2007); Littlefield. et al. (2003); and Hossain (1988) note that households of microfinance clients, particularly those of female clients, appear to have better nutrition and health statuses compared to non-client households. Pitt, et al. (2003) concurs with Pronyk, et al. and states that credit to women has a large and statistically significant impact on two of three measures of children's health. McNelly and Dunford (1999) also find that children of participants of the Lower Rural Bank Credit program in Ghana experience significant improvements in feeding frequency compared to children of non-clients. Barnes (2001) finds that participation in Zambuko Trust in Zimbabwe has a positive impact on the

frequency with which food is consumed in extremely poor households as well as on the quality of food. Specifically, participation has led to a positive impact on the consumption of high protein foods such as; meat, fish, chicken and milk.

A research done by the International Food Policy Research Institute and the Department of Rural Development, Bunda College of Agriculture in November 1994 with an aim of gaining a better understanding of the possible role of credit in improving household food security and alleviating poverty in Malawi found that there is a positive impact on the credit given out to Malawian farmers for purposes of agricultural use. Households of farmers with access to agriculture loans showed a significant improvement in feeding frequency as compared to those without loans.

Product innovation that responds to the food security motives of rural households led to higher outreach and higher impact on the poor. However, policy also needed to recognize that while the poor were creditworthy and able to save and insure financial institutions may still fail to cover their costs, even with improved products. Financially sustainable institutions could not serve many of the poor, particularly in remote areas having high transaction costs. The primary role of policy should therefore be to foster institutional innovation such as Financial Services Associations (FSAs) also known as “Village banks” (Zeller & Sharma, 2000).

## **2.7 Conclusion and Chapter Summary**

In conclusion, based on the above discussion, village-banking model of microfinance seems to be an important tool in uplifting the livelihoods of poor people, especially women. Women attract microfinance institution attention more than men because women are responsible for the majority of the household work such as provision of health care, food and water; they also have greater influence on population growth rate, infant mortality and children’s education and nutrition hence most microfinance institutions want to play a part in contributing towards their empowerment. There are three main methods that are used to assess the impact of microfinance which are; scientific, humanities, participatory learning and action methods. It is advised to combine the

methods since each method has its own benefits and shortfalls. Lastly, this chapter also looked at the benefits of village banking towards poverty alleviation and food security. Some research found a positive correlation between village banking and poverty alleviation and even food security while other note that there is no correlation between them.

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents a brief description of the research design and methods used in the study at hand. It specifically analyses the methods used to collect and process data, the nature and sources of data used, how such data was analysed and how the results were presented.

### **3.2 Research Approach and Design**

According to Khan and Rahaman (2007) there are mainly two kinds of research methods - quantitative method and qualitative methods. Qualitative method is non-numeric (words) while quantitative is numeric (numbers) to capture relevant data. In most cases quantitative methods use data capturing tools like questionnaires while qualitative use more of interviews.

In my research, I used a combination of both quantitative and qualitative methods as both methods were relevant in analysing the problem at hand in coming up with my conclusion and using both methods can help in improving evaluation by ensuring that the limitations of one type of data are balanced by the strengths of another. As a quantitative measure, data was collected by means of questionnaires. Questionnaires were used as they have a set of questions on various topics relevant to the study that the targeted women had to respond to whose response formed the data that was analysed and conclusions drawn from. They had both open-ended and closed questions.

In addition to the questionnaires, interviews were also held with the targeted women to gather more information about their economic status and impact that village banking has had on their lives for qualitative analysis. The study collected qualitative data in order to explain the quantitative results. The qualitative analysis was meant to provide information on behavioural related issues and opinion on several factors concerning the village baking intervention as well as factors affecting income, health and household dietary issues.

### 3.3 Sampling

In this study, to determine the sample size, a two-stage cluster sampling technique was employed. This methodology was chosen because the village banks exist in form of clusters naturally. With this, it was easy to determine the sampling frame and ensure representativeness and that elements were selected randomly without any bias. Having fulfilled the criteria for sampling, the results may be generalized to all village-banking groups in Blantyre rural.

The first stage was the selection of cluster (i.e. village saving group). The second stage was the selection of women in the selected cluster. The formula for calculating the sample size was as follows:

$$n_1 = (t^2 pq)/d^2, \text{ where}$$

$n_1$  = sample size

$p$  = proportion of women engaging in VSL (79.4%, 0.794)

$q$  = proportion of variance (1-0.794 = 0.206)

$t^2$  = 95% confidence interval ( $z = 1.96$ )

$d^2$  = absolute precision squared (5% which is 0.05)

$$n_1 = 1.96^2(0.794 \times 0.206)/0.05^2$$

$$n_1 = 3.84(0.163564)/0.0025$$

$$= 0.62808576/0.0025$$

$$= 251.2$$

$$= \underline{251 \text{ (Rounded down)}}$$

The resulting sample size,  $n$ , was 251. However, this is the sample size if a simple random sample is done. To compensate for the design effect (DEFF, United Nations, 2005) of choosing a sample using clusters rather than as randomly selected individuals, it was necessary to increase sample size to 502 ( $251 \times 2$ ) to achieve increased accuracy in the estimation of the population parameters. This was the case because the default design effect of 2 was used (i.e.  $n_1$  multiplied by DEFF (2)). The sample size was meant to be 502 women for each group (village banking and control groups respectively). However, due

to time and budgetary constraints, the sample size was reduced to 270 women per group. Within the 270 women groups, 10 women were randomly selected for each group from 27-villages for comparison between these two groups. This was done to ensure that every member of the larger population has an equal chance of being selected and that there is equal representation of women in both groups that will enhance credibility of the results. This meant that, a total of 540 women from 27 different villages and/or locations formed the sample for this study. The 540 women were deemed a better representative number of the targeted population from which a credible conclusion of the results could be derived.

### **3.4 Target Population**

The target population of this study was the Blantyre rural women who are benefiting from the village banking programs in Malawi and those that are not members of such groups. Blantyre rural was selected mainly because, like most of the rural areas, most of the women do not have any other source of financing for their small businesses apart from village banking.

### **3.5 Primary Data**

Since the study relies on a combination of qualitative and quantitative data, the responses provided by the 540 women who were interviewed comprised the primary data. Specifically, the following primary sources were considered:

#### **3.5.1 Questionnaire**

The questionnaire was designed to elicit responses relating to the participants' background such as age and education. Furthermore, specific questions relating to village banking services such as loan requirements, provision of loans, savings mobilization, micro enterprise investment and training were considered. It was also aimed at gathering data concerning the performance in terms of growth in income, effect on poverty on a household, loan repayment and growth in savings from micro enterprise activities. Structured questions including dichotomous questions were asked to collect information from the respondents.

### **3.5.2 Structured and Semi-Structured Interviews**

Structured interviews were mainly considered as village banking beneficiaries are often illiterate and are not able to complete the questionnaire accurately. Semi-structured interviews were conducted where additional questions were required to explore research questions based on the nature of events within the enterprise.

### **3.6 Secondary Data**

Secondary sources were used to formulate research questions, develop theoretical framework, literature review and to confirm and check the correctness of the information provided by the women through the questionnaires. Various journals, work plans, activity reports, loan records, programme documents, agreements, memorandum of understandings, relevant policy papers, research articles, websites, reports on poverty and village banking, newspapers and books were consulted.

### **3.7 Gathering**

Data for this study was collected using questionnaires that had simple structured and semi-structured questions as well as structured and semi structured interviews.

### **3.8 Data Presentation**

Data collected is presented in form of graphs, charts, tables and other necessary presentation methods in Chapter 4 of this thesis.

### **3.9 Data Analysis**

The data obtained during the survey was analysed using both qualitative and quantitative data analysis techniques. Quantitatively, data was coded, counted, categorized into tables and processed to provide frequency tables and percentages using the Statistical Package for Social Sciences (SPSS). Qualitatively, information gathered from the interviews and observations were analysed using themes of interest.

### **3.10 Research Ethics**

Privacy and confidentiality of respondents was the main concern with regard to ethical considerations. Obtaining valid information entails asking profound questions that are themselves an infringement on the privacy and confidentiality of the respondents. To address this concern, respondents were informed prior to their participation that they have the freedom not to disclose information they regard as confidential.

The study also provides valid outcomes that are generally common in similar settings experiencing similar economic factors affecting similar populations. In addition, findings in this study correctly answer the research questions.

### **3.11 Limitations**

The major limitation of the study was lack of literature on the subject matter since not much research has been done about this topic in Malawi. In addition, conducting research required resources in form of time and money and since there was budgetary constraint, the sample size was cut down.

### **3.12 Conclusion and Chapter Summary**

Chapter 3 has presented the research methodology that is generalized and established ways of approaching the research questions under discussion. It explains the approaches used which are divided into qualitative and quantitative approaches and involves the specific study activities of collecting and analysing research data in order to answer the particular research questions. The chapter gives a highlight on how data was collected, analysed and presented. It also indicates the design used in the study, the target group and how the sample was selected.

## **CHAPTER 4 – FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter discusses the findings obtained from the data collected along with discussions explaining the findings of the study.

The primary information was collected from 270 beneficiaries of Village Banking Programs and another set of 270 women who were not participating in village bank programs through a questionnaire and interviews. Respondents were interviewed from the fifty-four targeted village groups (10 women per village banking group and 10 women for each control group per village). Villages and/or locations within Blantyre rural where village banking is done were targeted and those areas where village banking is not done were also targeted. The study targeted women in rural areas of Blantyre District.

The secondary information was further obtained through program documents. It further provides demographic information of the respondents and the statistical analysis of the information collected from them.

The findings relate to the characteristics of the respondents in terms of age, marital status, education levels, housing, knowledge; access to credit; income status of those who indulged in business and those who did not; household diet and health.

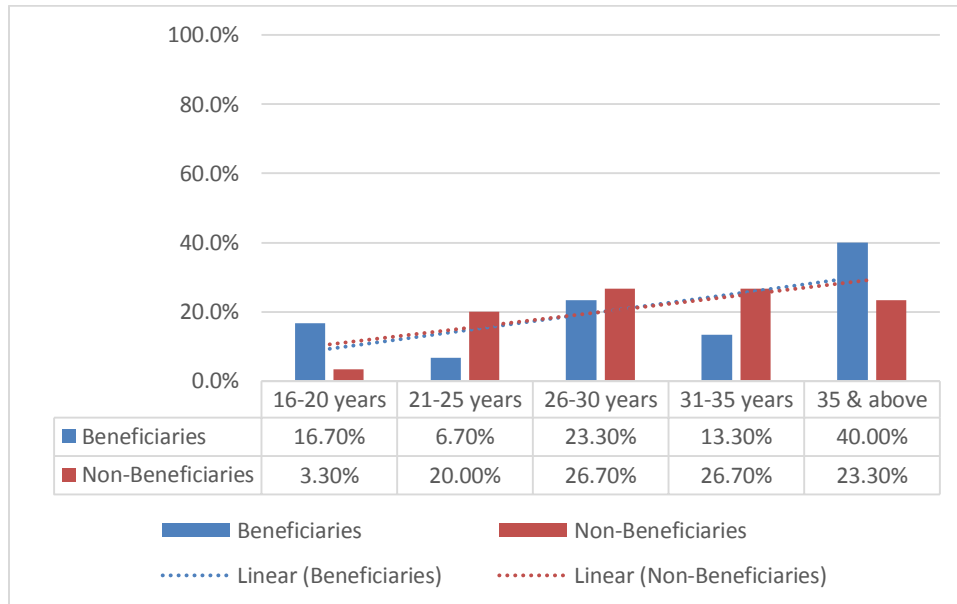
### **4.2 Characteristics of Respondents**

This section looks at the number of the respondents, their age, marital status, education and housing and how they learnt about the village banking groups (VBGs).

#### **4.2.1 Age of Respondents**

Figure 4.1 shows that the trend for ages for both beneficiaries and non-beneficiaries is generally the same as evidenced by the trend lines (dotted lines). The results further show that most women were 21 years and above. The age range suggests that most women

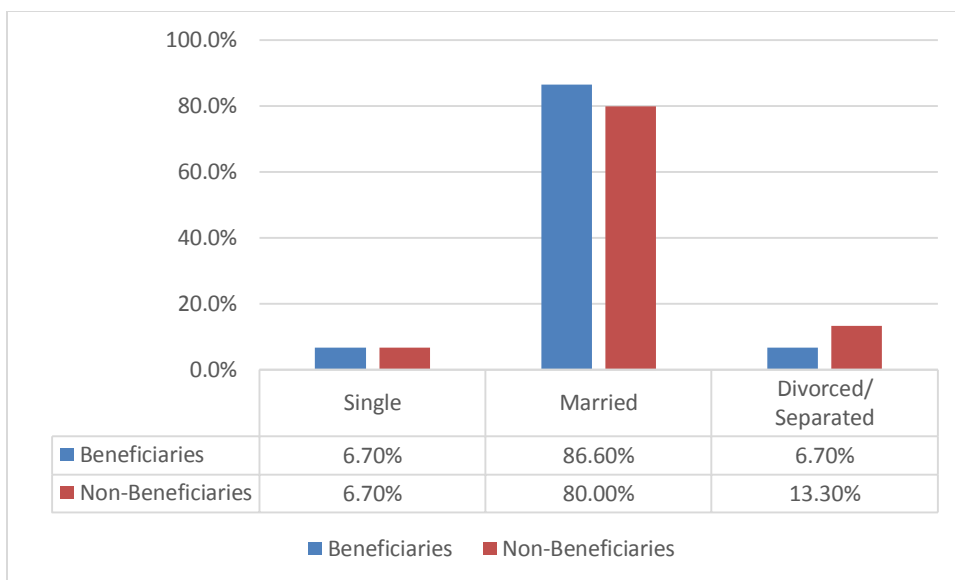
were mature as such it can be assumed that they can make appropriate decisions when it comes to managing their finances or income activities. The maturity factor is also supported by the fact that most are married as shown in Figure 4.2.



**Figure 4.1: Age Distribution**

#### 4.2.2 Marital Status of Respondents

Most of the respondents were married as shown in Figure 4.2. Much as other respondents were single, divorced or widowed, considering the age group which they belonged to as shown in Figure 4.1 above, it can be said that they were mature enough to manage their funds. It can also be inferred that they had responsibilities that were expected to be met by them evidenced by the fact that most of them were married.



**Figure 4.2: Marital Status**

Table 4.1 shows that household size was about 4 in most households in both groups. The standard deviation shows that the household sizes were close to the mean in both groups. The maximum household sizes were 7 and 8 in beneficiaries and non-beneficiaries respectively.

**Table 4.1: Number of Children and/or Dependents per Household**

Group	Mean	Standard deviation	Minimum	Maximum
Beneficiaries	4.03	1.98	0	7
Non-Beneficiaries	3.57	0.98	1	8

#### **4.2.3 Education Level of Respondents**

The results show that beneficiaries had primary (36.7%) and similar proportions of junior secondary and senior secondary at (30.0%) each and (3.3%) tertiary in terms of education. For non-beneficiaries, (3.3%) had similar proportions of primary and tertiary education, (23.3%) had senior secondary school education and 70% had junior secondary school education. The results reveal that all women were literate. As such, it can be

inferred that they can count and read vernacular as well as English thereby be able to manage their income / finances. Their education also helps to calculate profits and be able to invest appropriately where need arises.

**Table 4.2: Education Status**

Group		Level of Education				Total
		Primary	Junior Secondary	Senior Secondary	Tertiary	
Beneficiaries	n	99	81	81	9	270
	%	36.7%	30.0%	30.0%	3.3%	100.0%
Non-Beneficiaries	n	9	63	189	9	270
	%	3.3%	23.3%	70.0%	3.3%	100.0%
Total	n	108	144	270	18	540
	%	20.0%	26.7%	50.0%	3.3%	100.0%

#### **4.2.4 Housing**

In terms of house ownership, Table 4.3 shows that 56.7% of the beneficiaries stay in their own houses, 3.3% share with their parents while 40.0% are rented houses. For non-beneficiaries, 13.3% stay in their own houses and the rest stay in rented houses. It can be inferred that those who own houses are more likely to concentrate on income generating activities that would improve the well-being of their households than their colleagues who have to pay rentals first before meeting other households' needs.

**Table 4.3: House Ownership**

Group		House ownership			Total
		Own house	Shared	Rented	
Beneficiaries	N	153	9	108	270
	%	56.7%	3.3%	40.0%	100.0%
Non-beneficiaries	N	36	0	234	270
	%	13.3%	.0%	86.7%	100.0%
Total	N	189	9	342	540
	%	35.0%	1.7%	63.3%	100.0%

The results in Tables 4.3.1, 4.3.2 and 4.3.3 show that both beneficiaries and non-beneficiaries stayed in houses that were similar. About 66.7 % of beneficiaries and 63.3% of non-beneficiaries stayed in houses with walls made of burnt bricks. Almost all houses had corrugated iron sheet roof. The major difference was the floor where 63.3% of the beneficiaries had cemented floor while 93.3% of the non-beneficiaries had the same. Most non-beneficiaries (90%) stayed in houses with electricity while about one-half of the beneficiaries stayed in houses without electricity. Non-beneficiaries seem to stay in better houses than beneficiaries do because most of the stay in rented houses unlike beneficiaries who are staying in their own houses and they improve their houses as time goes using profits from their businesses. Most of non-beneficiaries rely on the husbands salary for upkeep thus housing and food.

**Table 4.3.1: House Characteristics (Wall)**

Group		Wall		Total
		Sun-dried bricks	Burnt Bricks	
Beneficiaries	Count	90	180	270
	% within group	33.3%	66.7%	100.0%
Non-Beneficiaries	Count	99	171	270
	% within group	36.7%	63.3%	100.0%
Total	Count	189	351	540
	% within group	35.0%	65.0%	100.0%

**Table 4.3.2: House Characteristics (Roof)**

			Roof			Total
			Grass-thatched	Corrugated iron	Asbestos	
group	Beneficiaries	Count	9	252	9	270
		% within group	3.3%	93.3%	3.3%	100.0%
	Non-Beneficiaries	Count	0	270	0	270
		% within group	.0%	100.0%	.0%	100.0%
Total		Count	9	522	9	540
		% within group	1.7%	96.7%	1.7%	100.0%

**Table 4.3.3: House Characteristics (Electricity)**

Groups	Electricity			Total
		Yes	No	
Beneficiaries	n	126	144	270
	%	46.7%	53.3%	100.0%
Non-Beneficiaries	n	243	27	270
	%	90.0%	10.0%	100.0%
Total	n	369	171	540
	%	68.3%	31.7%	100.0%

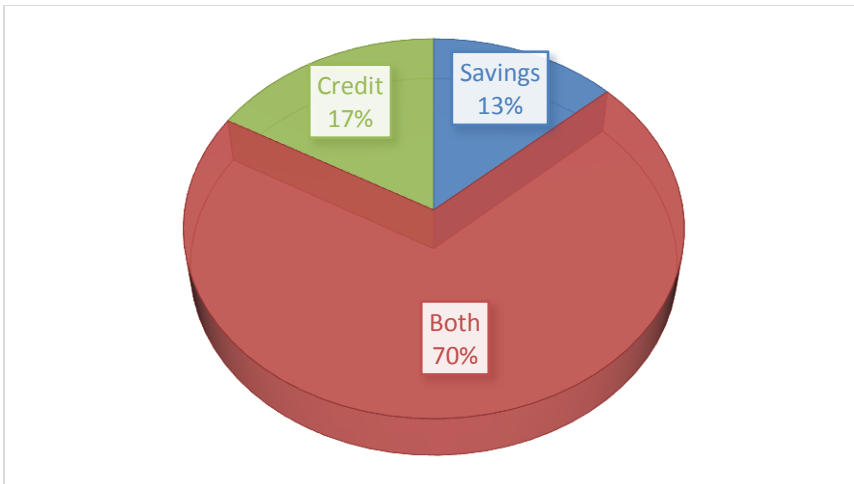
#### **4.2.5 Knowledge about Village Banking Groups (VBG)**

When asked about how they knew about the VBG, most respondents indicated their friends told them about the existence of the village banking groups. It was noted that proximity to their home and *Alangizi* (extension advisors) played a big role in making households become aware of the existence of the village banking groups. Even non-beneficiaries said they have heard about village banking program.

Non-beneficiaries gave the following reasons for not joining:

- 46.7% lack of interest to join
- 13.3% don't see importance/benefit of joining
- 13.3% either husband disapproved or husband told them to stop
- 6.7% do not have enough money for savings to join
- 6.7% had once been disappointed with the village banking group
- 6.7% do not have sufficient time to attend meetings for village banking program
- 6.6% lack of trust because some people run away when they get loans

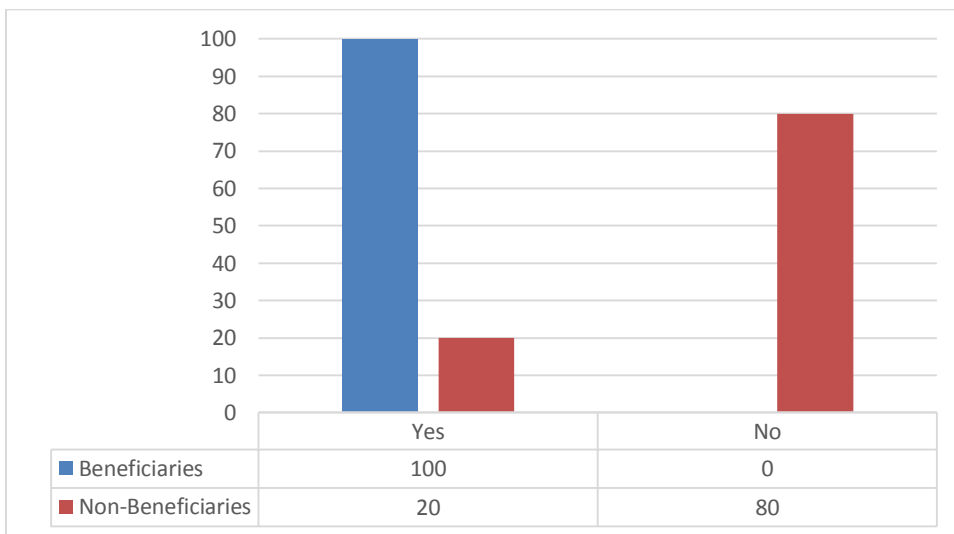
Access to both savings and credit was the major factor that attracted most women to the village-banking program. See *Figure 4.3*.



**Figure 4.3: Which of these products attracted you to join VBG?**

### 4.3 Access to Credit

This section analyses the procedure for receiving credit and what the credit is used for. The results show that all beneficiaries had ever received credit from village banks while 20% of the non-beneficiaries had ever accessed loan from elsewhere. Refer to Figure 4.4. It is shown that one-third of the beneficiaries had accessed credit twice. About 23% had accessed once while the rest had accessed more than once with the highest being 12 times.



**Figure 4.4: Have You Ever Accessed a Loan from Either Village Bank or Elsewhere?**

#### 4.4 Membership Duration

Overall, it shows that about 80% of the respondents had been members for a period of more than 1 year. One-third had been members between 1 and 2 years. *See Table 4.4.*

**Table 4.4: Duration of VBG Membership by VBG**

Duration	Frequency	Percent	Valid Percent	Cumulative Percent
1 month – 1 year	54	20.0	20.0	20.0
1 year – 2 years	90	33.3	33.3	53.3
2 years – 3 years	63	23.3	23.3	76.7
More than 3 years	63	23.3	23.3	100.0
Total	270	100.0	100.0	

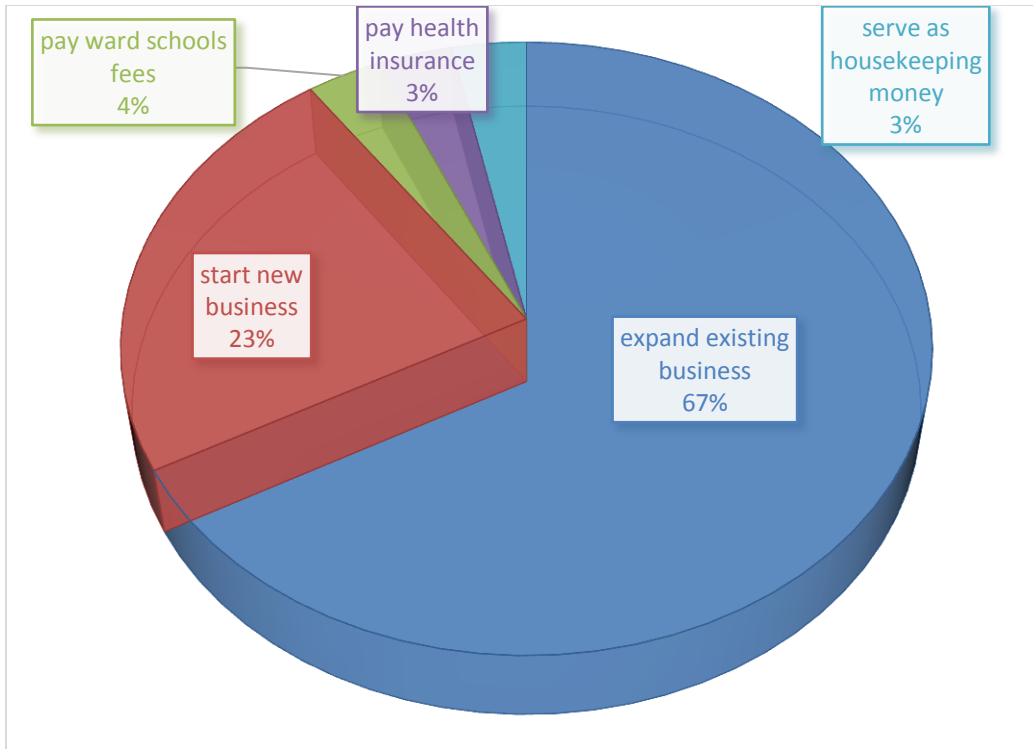
As already indicated, about 80% of the beneficiaries had been members of the village banks for more than one year while 20% had been members for less than one year.

#### 4.5 Reasons for Accessing Loans

The reasons for accessing loans were as follows (ranked in order of importance) (*See Figure 4.*):

- 67.7% to expand existing business
- 23.3% to start new business
- 4% to pay ward schools fees
- 3% to pay health insurance
- 3% to serve as housekeeping money

All members indicated that they had to have savings accounts in order to access loans.



**Figure 4.5: What was the Purpose of the Loan?**

**Table 4.5: How has the Loan Improved Their Business**

Group		Improvement in performance of business			Total
		Yes	No	N/A	
Beneficiaries	N	225	45	0	270
	%	83.3%	16.7%	0.0%	100.0%
Non-Beneficiaries	N	81	54	135	270
	%	30.0%	20.0%	50.0%	100.0%
Total	N	306	90	144	540
	%	56.7%	16.7%	26.7%	100.0%

About 83% of the beneficiaries had experienced an improvement in the performance of their business since joining village banks. About one-half of the beneficiaries did not

engage in any business at all but 30% of those who did had experienced an improvement in their business too.

#### 4.7 Profitability

**Table 4.6: How Much Profit Has Been Made**

Group	Mean profit /week		Minimum profit/week		Maximum profit/week	
	Before	Now	Before	Now	Before	Now
Beneficiaries	5,176.47	11,900	0	1,000.00	20,000.00	40,000.00
Non-Beneficiaries	11,700.00	15,600	5,000.00	7,000.00	20,000	27,000.00

When asked about profits, beneficiaries were now making mean weekly profit of about K12,000.00 from about K5,000.00 (or 240%) while non-beneficiaries are making a profit of about K16,000.00 from about K12,000.00. We notice that beneficiaries have increased their profit by K7, 000.00 while non-beneficiaries had their profit increased by K3, 000.00.

About 83% of the beneficiaries had their monthly income increased while only one-third of the non-beneficiaries had their monthly income increased. About 30% of the non-beneficiaries who were not in business their income improved somehow while the rest their income did not improve. The main reason given for improvement was that husband's salary had been increased.

**Table 4.7: Monthly Income**

Group		Monthly Income				Total
		Increased	Same	Decreased	n/a	
Beneficiaries	Count	225	9	9	27	270
	% within group	83.3%	3.3%	3.3%	10.0%	100.0%
Non-Beneficiaries	Count	90	108	0	72	270
	% within group	33.3%	40.0%	.0%	26.7%	100.0%
Total	Count	315	117	9	99	540
	% within group	58.3%	21.7%	1.7%	18.3%	100.0%

#### **4.8 Property Acquisition**

About 63% of the beneficiaries had acquired property after joining village bank while 40% of the non-beneficiaries had acquired property in the most recent past.

**Table 4.8: Property Acquisition**

Group		Acquired any property		Total
		Yes	No	
Beneficiaries	Count	171	99	270
	% within group	63.3%	36.7%	100.0%
Non-Beneficiaries	Count	108	162	270
	% within group	40.0%	60.0%	100.0%
Total	Count	279	261	540
	% within group	51.7%	48.3%	100.0%

**4.9 Household Diet**

The results showed that about 77% of the beneficiaries had their household diet improved while 40% of the non-beneficiaries had their household diet improved recently. It was further shown that 66.7% of the beneficiaries had ever reduced the number of meals or reduced size of meals or skipped meals before joining village banks.

**Table 4.9: Has Your Household Diet Improved Since Joining VBG?**

Group		Household Diet			Total
		Improved	Same	Don't know	
Beneficiaries	Count	216	45	9	270
	% within group	76.7%	16.7%	3.3%	100.0%
Non-Beneficiaries	Count	108	108	54	270
	% within group	40.0%	40.0%	20.0%	100.0%
Total	Count	324	153	63	540
	% within group	58.3%	28.3%	11.7%	100.0%

#### 4.10 Health

**Table 10a: Health Status after Joining Village Bank**

Group		Before				Total
		Very Good	Good	Regular	Bad	
Beneficiaries	Count	36	90	108	36	270
	% within group	13.3%	33.3%	40.0%	13.3%	100.0%
Non-Beneficiaries	Count	0	171	90	9	270
	% within group	.0%	63.3%	33.3%	3.3%	100.0%
Total	Count	36	261	198	45	540
	% within group	6.7%	48.3%	36.7%	8.3%	100.0%

The results show that the general health status of beneficiaries improved greatly from 13.3% to 20.4% while for non-beneficiaries it was from 0% to 3.3%

### Crosstab

**Table 10b: Health Status after Joining Village Bank**

			After			
			Very Good	Good	Regular	Total
group	1	Count	55	179	36	270
		% within group	20.4%	66.3%	13.3%	100.0%
	2	Count	9	252	9	270
		% within group	3.3%	93.3%	3.3%	100.0%
Total		Count	64	431	45	540
		% within group	11.9%	79.8%	8.3%	100.0%

### 4.11 Conclusion and Chapter Summary

Overall, it can be said that VBG are effectively improving the livelihood of households as they help in poverty reduction evidenced by the fact that about 83.3% of beneficiaries had their income and business performance improved as compared to 30% on the same in the non-beneficiary category. 76.7% of the respondent's beneficiaries faced an improvement in diet and more people had access to credit as compared to 40% from non-beneficiaries (of which when asked the reasons for the improvement many had to give raise in husbands' salary as a reason for the non-beneficiaries group). This was further backed by the positive improvement in business as well as good health on the side of the beneficiaries. It was also acknowledged by Wolday (2003) that credit services play a crucial role in improving welfare as acknowledged that the delivery of microfinance services to the rural poor in Ethiopia is one effective instrument to promote food

production and food security. Machinjiri, et al. (1999) also share the same view that an improvement in income, employment opportunities, sufficient food, adequate shelter and clothing, security, credit opportunities, adequate infrastructure, entrepreneurship spirit, inputs and transport facilities means reduction in poverty.

There is ample evidence to suggest that there is a positive correlation between microfinance and welfare (Morduch, 2002). Microfinance is an instrument that, under the right conditions, fits the needs of a broad range of the population—including the poorest—those in the bottom half of people living below the poverty line. Providing microfinance can give poor people the means to protect their livelihoods against shocks as well as to build up assets and diversity—also a means of protecting—their livelihood activities by investing loan capital (Johnson, et al. in Morduch, 2002).

## **CHAPTER FIVE – SUMMARY CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Summary of Major Findings**

The main aim of this study was to assess the effectiveness of village banking on the livelihood of the rural women in Blantyre using samples from fifty four groups comprising 10 women each from village banking and non-village banking groups respectively. In addition, the study sought to find out the factors that affect access to village banking loans and how these factors can be improved to increase the effectiveness of village banking on the livelihood of the rural women in Blantyre. After a careful analysis of data collected for the study, it has been shown that Village banking has been effective in four main areas of the Blantyre rural women's livelihoods as discussed in detail below, namely:

1. Business and revenue improvement
2. Enhancement of a savings culture
3. Economic Inclusiveness
4. Increased Women's Income
5. Improved general wellbeing of the targeted groups.

At the same time, it has been noted that there are several women who are not members of these village banks hence they cannot access any loans that can in turn improve their livelihoods for various reasons.

#### **5.1.1 Business Improvement**

The study revealed that businesses for the women who were in village banks were more profitable than those who were not members. For instance, in Table 4.7 weekly profits of women members of village banks rose with about 240% while for the non –members rose with about 130%. Further, about 83% of the members increased their revenues as compared to 33% of non-members (whose revenue increase is attributed to their husband's salaries and other revenues). The profitability and revenue increases can be

attributed to the opportunity availed to the village bank members to share business ideas and horn business management skills for expansion and sustainability of their businesses. Further, the study found that the procedure and security requirements of obtaining credit from village banks were easier, faster and less cumbersome as compared to the normal commercial banks. This is because there is no need for physical security in village banking as the group itself is the security. One only needs to contribute to the savings unlike commercial banks that require title deeds or some sort of security, and on top of that, one has to pay processing and/or legal fees. There is no bureaucracy in approving membership to a village bank group and loans to be accessed unlike with the commercial banks. As the group is small and closely-knit society, processing of the loans is faster. Lastly, there are no fees paid in village banks apart from your own savings contributions, which are your own money at the end you will get it back with interest.

These easy and almost free processing made it possible for most of the people to join the village banks and boost their businesses. As a result, 90% were able to and easily accessed loans for their businesses (67% business expansion and 23% to start new business).

### **5.1.2 Enhancement of a Savings Culture**

The study has also shown that participation in village banking has assisted in the enhancement of a savings culture among the rural women in Blantyre. Figure 4.3 shows that 70% of the women were attracted to village banking because of both credit and savings availability. As there are no banks readily available within their locality and due to the flexibility on withdrawal of one's savings, village banks provide a good alternative to the commercial banks. At the same time, as their savings are also available as credit to themselves and others as over 90% of the savings were used to expand their existing businesses (67.7%) or start new ones (23.3%). The credit is available to the members at an interest, this provides a source of extra revenue earning stream that would not have been available if they kept their money in the house

The group saving also provides a source of security for their money as the money is kept together under good security as compared to their individual houses. Further, most of the money saved in village banks is often fully distributed to the members thereby reducing the risk of accumulating a lot of money that is prone to theft.

### **5.1.3 Economic Inclusiveness**

It has been revealed through the study that beneficiaries of the village bank loans are from different walks of lives including variant marital status, diverse literacy levels and from different economic backgrounds. For instance, 86.6% of the women beneficiaries comprised of married women while 6.7% were single and another 6.7% were either widowed or divorced. This group comprises the young and old, those with families and those without.

At the same time, 33.3% had tertiary while 66.7% had primary education and the women beneficiaries entailing that educational background of an individual is not a barrier to membership to these groups. At the same time, 56.7% of the women members own houses while the remaining 43.3% either share houses with others or rent houses meaning that one's economic background does not matter in as far as membership to these groups is concerned.

Other indirect beneficiaries of village banks include children, dependents, and husbands in families averaging 4 per family per Table 4.1. This entails that the benefits accruing from village banks spread beyond the women members to both their nucleus and extended families and the society.

### **5.1.4 Increased Women's Income**

The study has also shown that the income of the women members of village banking increased. This income came from both their businesses and year-end interests from the groups' savings. Such interest according to the members is higher in village banking than saving your money with commercial banks. For instance, the group charges 10% per loan as interest for 3 or 6 months thereby yielding between 20% to 40% interest. At the end of

the year, they share the profits earned from such interests according to a member's contributions. However, in the formal sector the most favourable interest one can get is 20% per annum from Treasury Bills while commercial banks are offering from 6% to 18% per annum and you have to pay 20% tax on the interest earned while no tax is levied on Village bank's interest. As a result, they have increased their disposable income from an extra default incoming earning source.

It was found that overwhelming majority (83.3%) of the beneficiaries had their monthly income increased as compared to 33.3% from the non-beneficiaries. The business of the beneficiaries improved by 83.3% and their profits improved with an average of MK7, 000.00 per week unlike that of the non-beneficiaries which improved by 30% with an average of MK3, 000.00 per week. The profits increased after joining the village banking, therefore one can conclude that the presence of the village banking has a positive impact on the respondent's income. The majority of the women started their businesses from personal savings that they got from doing peace works or from sales of livestock or farm produce. Women in the study area mostly used credit facility for the expansion of their businesses. More than half of the women who had access to credit in these village banks used it for business expansion purposes.

Further, the availability of the savings to the members acts as a multiplier effect of the women's revenues and businesses directly and those of non-members indirectly as the money circulates within the community while generating more money in the various businesses the women are engaged in and those of other society members they engage with.

#### **5.1.5 Improved General Wellbeing**

The study has shown that village banks have not only increased their financial capacity and those of their families, but also had positive impact on their other factors of life like acquisition of assets or property (63% of beneficiaries); quality health care for their families increased from 13.3% to 20.4% as compared to from 0% to 3.3% for the non – beneficiaries; access to good education for their children; and were able to meet dietary

(77% compared to 40% for non-beneficiaries) as well as health requirements. These poor rural women brought about a positive change to their financial and social situation and started taking active part in the decision-making processes of their families and societies.

It was noted from the study that the funds from village banking program participation are used for a wide variety of consumption purposes including purchasing food, paying for school fees, housing acquisitions and improvements and medical expenses. By supplying these funds when needed, the village banking program group enables members to maintain a steady level of consumption and prevents them from slipping into a more desperate level of debt and poverty, thereby improving their chances of eventually moving up the income ladder. This study demonstrates the numerous benefits that may arise through the fulfilment of such basic needs, even with no change in household income. In other words, the observed program benefits are a result of the increased ability to spend on different items rather than the capacity to spend more overall.

## **5.2 Recommendations**

In view of the findings of this study, it is clear that much as the village banking programmes have assisted in uplifting the low-income women's livelihood in Blantyre rural, more needs to be done to ensure that the program's maximum potential impact in the Blantyre women's livelihood is realised. Therefore, this study recommends the following:

### **5.2.1 Women and Education**

According to the data collected, only 3.3% of the women in both beneficiaries and non-beneficiaries have gone through tertiary education meaning that many women just start business without proper training that affects the profitability of their businesses. If they had done some tertiary level they would be able to better participate in their village banking activities; better understand business dynamics; and effectively run and manage their businesses that in turn would be reflected in much more improved profits. This study therefore recommends the need to encourage girls and women to improve their literacy levels. The Government should therefore formulate deliberate policies to

encourage if not make mandatory formal education of up to university level especially among girls from low income households. Women with higher levels of education will be in a position to make sound business decisions once they get loans from village banking thereby improving income that would improve their socio-economic status. Additionally, this is essential in improving women's self-confidence and ability to make decisions concerning their lives.

### **5.2.2 Government Intervention**

It is important to note that village banking on its own as a tool for livelihood enhancement cannot achieve much if the real causes of poverty are not directly addressed. Therefore, to achieve the maximum impact of village banking groups, it is important for government and other stakeholders to focus on developing efficient financial and legal policies that can help village banks. It is also important to ensure that people have access to necessary infrastructure such as good roads and accessible market centres for their merchandise. This will ensure that they do not spend a lot on transportation and have readily available markets of their merchandise.

Lastly, it is also important for government to make deliberate move on insurance policies to ensure that these women can also have soft and easy insurance policies to avoid losing their little savings through death of the member in the group since these village banks do not take security.

### **5.2.3 Address Membership Shortfalls**

Though village banks have generally improved the wellbeing of its members, they could do more if more women joined them, as it is evident that many women are not members. The village banks need to address the concerns that the non-members have against the village banks and the intervening circumstances that are making them not to join. They can do so through reduction of the minimum contributions or savings requirement; lowering further the interest rates for the loans so that the loans become more affordable to a majority of the members and that this also acts as an enticement for new members to join the village banks; insuring against loss of savings due to theft; rectifying the

challenges that some men have against their wives' join village banks; and address the concerns that some women have that make them disappointed against village banks.

At the same time, they need to guard against any negative tendencies that the increased membership may have that may work against the core aims and objectives of the groups and lead to the groups' disintegration.

### **5.3 Scope for Further Research**

The study did not reach out to several areas in Malawi apart from Blantyre District; the study did not therefore compare the results based on other areas. Further comparative research on this area will help in bringing more light to the effectiveness of village banking countrywide.

Other areas that have not been investigated include the difficulties that the borrowers face to repay the loan and access to quality education through children's attainment of education comparing the attainments before and after joining village banking programmes. These areas deserve to be studied by future researchers in the field.

For a programme to be effective it needs to be sustainable hence, the other area that needs to be researched on in future is the time set for beneficiaries to be sustainable. After getting credit for several times the beneficiaries need to reach a point where they can sustain themselves thus reaching a point where no credit will be given again or will be necessary to them, thus the exit plan for the women to move from the micro level to macro level to create room for more new members. Future research in this area will also help in finding out how sustainable village banking programmes are and how long it takes women to move from micro to macro level.

Finally, a deeper analysis of female empowerment in their families and social change would greatly improve the depth of this research. Such an analysis, will however, require more in-depth interviews with female beneficiaries as well as other members of the family and the community which will therefore require a much greater time and financial commitment.

#### **5.4 Conclusion and Chapter Summary**

This investigative comparative study was done to evaluate the effectiveness of village banking towards improving livelihood of women beneficiaries in the study area as compared to non-beneficiaries in the same area. The findings therefore suggest that the livelihoods of communities in Blantyre rural have improved as their levels of income have increased. From the study, the researcher has concluded that there is a noticeable and positive impact of village banking activities on the living standards, empowerment and poverty alleviation among the poor women in the targeted society.

Finally, availability and accessibility of village banking groups is in no doubt a positive way of bringing a positive turn not only in the lives of the poor women beneficiaries but also in their society and the ultimately country as a whole. The nation's dream of a healthy and educated society can be achieved through available and accessible savings and credit. The nation's hope that no one should sleep hungry, no one should die due to lack of medication, people should sleep in good houses, our children should learn how to read and write on their own and that everyone should be a pillar of the country can be achieved through village banking programmes. If these are done, then one can conveniently conclude that there is a positive livelihood improvement.

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## APPENDIX

### Appendix 1: Questionnaire for Beneficiaries of Village Banking

Dear Respondent,

I am a student studying for a Master's Degree Program at The University of Malawi Polytechnic. I have designed the following questionnaire for the study “**EVALUATING THE EFFECTIVENESS OF VILLAGE BANKING IN UPLIFTING LIVELIHOODS OF RURAL MALAWIAN WOMEN: Case Study of Blantyre Rural groups**”, which is required for thesis work as an important part of the study.

I would greatly appreciate your responses to the questions. Your participation in completing the questionnaire is voluntary and you are not required to mention your name. The information obtained will be used for academic purposes only. It will take approximately 15-20 minutes. All information provided in this study will be treated as confidential; your anonymity and privacy in completing this questionnaire is therefore assured.

#### A. PERSONAL INFORMATION (please tick (X) the appropriate box)

1. Name of Village banking and Area.....

2. Age 16 to 20 years [ ] 21 to 25 years [ ] 26 to 30 years [ ] 31 to 35 years [ ]  
35 years and above [ ]

3. Marital Status

(1) Single [ ]

(2) Married [ ]

(3) Divorced/Separated [ ]

(4) Others [ ]

4. Number of children /dependants.....

5. Educational background,

- (1) Primary [ ]
- (2) Junior Secondary (form 1 and 2) [ ]
- (3) Senior Secondary (Form 3 and 4) [ ]
- (4) Tertiary [ ]
- (5) Others specify.....

6. How did you know about Village banking programmes?

(a) From a: (1) friend [ ] (2) Customer [ ] (3) Relative [ ] (4) Advertisements/promotions [ ]

(b) Proximity to: (1) Home [ ] (2) Business [ ]

7. Which of these products attracted you to join village banking?

- (1) Savings [ ]
- (2) Credit [ ]

## **B. LIVELIHOOD IMPROVEMENT**

### **1. Credit Opportunities**

8. **A.** Have you received credit from this particular village bank?

- (1) Yes [ ]
- (2) No [ ]

8. **B.** How many times have you accessed credit from the group? .....

9. If yes how long have you been a member of the village bank?

- (1) 1 month -1 year [ ]
- (2) 1 year- 2 years [ ]
- (3) 2 years – 3 years
- (4) More than three years [ ]

10. What was the purpose of the loan?

- (1) To start a business [ ]
- (2) To pay ward school fees [ ]
- (3) To pay Health Insurance [ ]
- (4) Expand existing business [ ]
- (5) To serve as housekeeping money [ ]
- (5) Others, please specify.....

11. Which of these basic requirements did you have to satisfy before the loan was given to you?

- (1) Physical collateral [ ]
- (2) Social collateral [ ]
- (3) Savings [ ]
- (4) Guarantors [ ]
- (5) Others, Please Specify.....

**2. Shelter and Housing**

12. To whom does the house you are staying in belong?

- 1. Ours
- 2. Shared
- 3. Rented
- 4. Other

13. How many rooms for sleeping does your house have? .....

14. Does the house have electricity?

- 1. Yes
- 2. No

15. What material are the walls of your house made off?

- 1. Grass 5. Cement bricks
- 2. Mud and Pole 6. Stones
- 3. Sun-dried (sunburnt) bricks 7. Other
- 4. Baked (burnt) bricks

16. What material is the roof made from?

- 1. Thatch – grass/leaves/mud
- 2. Corrugated iron
- 3. Asbestos/tiles/concrete
- 4. Plastic Sheets
- 5. Other

17. What material is the floor made of?

- 1. Earth, soil
- 2. Cement
- 3. Tiles
- 4. Other

### 3. Income

18. If in business, has there been any improvement in the performance of your business since joining village banking?

- (1) Yes [ ]
- (2) No [ ]

19. If yes, what is the range of your profit per week now? .....

20. What was your range of weekly profit before joining village banking? .....

21. How would you assess your weekly and monthly income?

- (1) Has increased [ ]
- (2) Remain same [ ]
- (3) Has decreased

22. If not in business, has there been any improvement in your income since joining village banking?

- (1) Yes [ ]
- (2) No [ ]

23. Please explain.....

24. Have you made improvements to your property (ies) after your association with village banking?

(1) Yes [ ]

(2) No [ ]

25. If yes, what property have you improved please specify.....

26. Have you acquire any property after your association with village banking?

(1) Yes [ ]

(2) No [ ]

27. If yes, what is the property acquired please specify.....

28. Were you able to send your children to school before joining village banking?

(1) Yes [ ]

(2) No [ ]

29. If yes what was your source of funding?

.....

30. If no what is the situation after joining village banking?

.....

#### **4. Security**

31. Were you consulted in making household decisions before joining the village banking?

(1) Yes [ ]

(2) No [ ]

32. If No, what could be the reason(s) for your non- involvement in household decision-making?

.....

33. If yes, please specify.....

34. Were you consulted in making household decisions after joining village banking?

(1) Yes [ ]

(2) No [ ]

### **5. Household Diet**

35. Has household diet improved since joining village banking?

1. Improved

2. Stayed the same

3. Worsened

4. I do not know

36. Please explain.....

37. Before joining village banking, did your household ever cut the size of your meals or skip meals because there was not enough money for food?

(1) Yes [ ]

(2) No [ ]

38. Please explain.....

39. What has been the situation after joining village banking?

(1) Has increased [ ]

(2) Remain same [ ]

(3) Has decreased

(4) Has stopped

40. Please explain.....

**6. Health**

41. How was the General health status of your family before joining village banking?

(1) Very good [ ]

(2) Good [ ]

(3) Regular [ ]

(4) Bad [ ]

42. Please explain.....

43. How is the General health status of your family after joining village banking?

(1) Very good [ ]

(2) Good [ ]

(3) Regular [ ]

(4) Bad [ ]

44. Please explain.....

**THANK YOU VERY MUCH FOR YOUR COOPERATION**