DRAFT – NOT FOR CIRCULATION OR QUOTATION

Finca-Malawi Impact Assessment Research

Working Paper 5: Qualitative Case Studies in Central Region

Final Report

Susan Johnson

July 2001

Centre for Development Studies	Kadale Consultants
Department of Economics & International Development	PO Box 2019, Blantyre, Malawi
University of Bath, Bath, BA27AY, UK	tel 265-832760
tel. 01225-826826	or 265-622691
fax. 01225-323423	fax 265-623436
e-mail: hssmae@bath.ac.uk	e-mail: kadale@malawi.net

Preface

FINCA is an international microfinance NGO that operates in 15 countries, including Uganda, Tanzania and Malawi. It is a pioneer of the 'village bank' (VB) model of microfinance. It opened an office in Blantyre in 1994 with the backing of USAID. By June 1998, it had built up a clientele of 7,920 women, organised into 256 VBs, in both rural and urban areas of Southern Region. Total loan funds amounted to US$288,807 and client savings were US$364,769. Finca-Malawi entered into an agreement with the UK Department for International Development to support expansion of its services, particularly in Central Region, over three years from September 1998. One element of DFID's support for FINCA is impact assessment research. The Centre for Development Studies at Bath University (CDS) together with Kadale Consultants in Blantyre were selected to carry this out.

Findings from the first round of interviews are summarized in Copestake et al (2000) "Finca Malawi Impact Assessment Research: Interim Report" which can be downloaded from http://www.bath.ac.uk/cds/microhome. This is the first of three reports based on a second round of data collection. The other two will be:

- A report on qualitative case studies from the Southern Region
- A report on the quantitative sample survey in Central Region.

The findings and views expressed in it are those of the named author(s) and do not necessarily reflect those of DFID, Finca-Malawi, Bath University or Kadale Consultants. They are also subject to revision as the overall research programme proceeds. Comments and suggestions are welcome.

Abbreviations and Glossary

Abbreviations:

CO	Credit Officer
GIF	Group Interest Fee
VB	Village Bank
CR	Central Region

Glossary of Chichewa terms:

Chibuku	Commercially brewed local beer
Chitenge/zitenge	Pieces of material worn by women
Chitengwa	The practice of patrilocal residence
Ganyu	Casual labour
Kaunjika	Second – hand clothes
Katapila	Moneylender/ practice of money lending
Mandazi	Donut type snack made from maize flour
Usipa	Small fish cooked as relish

Exchange rates: MK 110 = GB£1 MK 75??=US$1

Contents

EXECUTIVE SUMMARY

The main findings are organised with reference to the 8 core research objectives set out for the impact research.

1. Economic impact

The overall assessment by respondents of impact on income, consumption and expenditure indicates that a minority, 27% thought that their material situation had on the whole improved. 47% reported some deterioration while they were participating in the programme and another 27% reported ‘mixed’ results which indicated that while they may have thought they had experienced an increase in income while in the VB, they related further evidence which belied this. Asset accumulation has been limited and confined to the purchase of small-scale household utensils and items. The savings programme is much appreciated and a number of women reported missing the opportunity to save once they had left the programme, the scale of exit (66% over the year) means that few women have had the opportunity to use the savings programme to build significant financial assets.

2. Social impact

In terms of skills and knowledge, women most cited having learnt to save as a benefit of the programme. They also appreciated the implications that being able to save had for planning the future and this gave them greater confidence. In general women reported having felt that they already had the confidence and skills to undertake their businesses before the programme though some indicated that engaging in business as a result of the loan had given them greater confidence that they could be self-reliant if the need arose in the future, for example due to the loss of a spouse.

In the context of relationships, while control over an income source had positive effects for some this is belied by the fact that only 50% of the married women were operating a business at the time of the final interview.

Most women had little experience of group-based activities and reported a range of positive implications such as learning how to associate with friends but this must be counter-balanced with the problems of borrowing from friends to repay and problematic group dynamics arising from poor repayment performance.

3. Geographical impact

There is no clear differential in impact between urban and rural areas. Indeed it is surprising the extent to which seasonality affects the activities of members of VBs in and around Lilongwe. The most cohesive VB in the sample was in the town of Lumbadzi. It seems likely that the relative success of this VB is related to the relative permanence of the members and the vibrance of the local market which while strongly affected by seasonality has as a mainstay economic activity generated by the airport.

4. Differential impact

From the cases covered by this qualitative study there were no clear cases of major improvements or major declines in material welfare. The evidence on exit, and informants' assessment of impact, suggests that members exit the programme once they find it difficult to repay for one or two cycles. The savings they have made during the programme in part act as a cushion as they may then use these on withdrawal to repay loans they took, to make repayment instalments, or to repay a husband. In two cases informants reported having to dispose of assets which they owned prior to the programme. The programme is particularly important for female headed households for whom business is the core income source, and for whom an ongoing source of capital is therefore critical.

5. Inclusiveness

Given the high rate of exit from the programme and its poor impact it is clear that a high proportion of women are finding that the programme does not suit their needs. The evidence here tentatively suggests that the programme may be more important to female - headed households. However, women's own account is that it is easier to cope with the programme if you have a husband and other income sources in the household alongside a business which is already quite well established.

6. Seasonality

Over the year of the research, the period that is usually good for business (April to August) did not fully materialise as tobacco payments were poor to farmers. This contributed to the poor performance over the year in terms of high levels of exit and serves to underline the dependence of the business environment on agriculture in the Central Region. Members have learnt lessons about seasonality and its impact on their businesses the hard way – by making losses. This has led some to be very wary of taking loans when they know business is less good although they might be prepared to take loans when business picks up. However this is problematic in the VB methodology of rigid 16 week cycles. Even if a member attempts to ensure that she rejoins the bank at a time close to April she has no guarantee that business will indeed pick up at that time and that she can effectively do business as the experience of this year further demonstrates.

7. Contextual influences

The poor impact performance of the programme can be explained by two key factors. First, the nature of women's businesses in CR and second, the objectives women have for income generation in the context of intra-household relations.

First, the scale of women's businesses essentially classifies them as subsistence businesses that start and stop. This is in part a function of the very limited skills and experience women have in business as well as the gendered constraints they face in terms of household responsibilities of childcare and caring for the ill that limit their inputs of time and their mobility. In addition, shocks to the household economy, in particular illness and death, make demands on their money and time.

Second, the research suggests that the objectives of married women in undertaking business activity is to supplement household income and make provision for small items of expenditure, such as contributions to her own relatives, that husbands' may find it difficult or not a priority to provide. In the main these requirements require in the region of MK100-300 per day. These amounts can be generated by activities which require small amounts of capital eg MK500-1000. When members take on loans, and these loans get bigger in subsequent cycles, they experience the need to operate their businesses more intensively than they have had to before which alongside the hazards (losses) they encounter, creates repayment pressures which they find difficult to manage. While husbands often assist in making repayments when asked, women for the most part are investing and using the income from their businesses themselves. This relative autonomy in turn can make requests to husbands for assistance with repayment problematic and is not a consequence they intended when taking on the loan.

8. Impact improvement

The VB loan product is very rigid and this is currently interacting with the social and economic context to cause high levels of exit and poor impact performance. The product needs to undergo radical rethinking. This could involve reconsideration of whom the programme primarily targets for its membership. The current trend toward in which women with even less business experience may be joining to keep up group numbers may have further negative implications. But primarily it requires a serious consideration of the design features of the programme. The rigidity of loan timing is counterproductive in a strongly seasonal business environment. Ensuring the availability of small loans and encouraging an environment where members are encouraged to take what they can use rather than what they can get is also a factor. But the key issue is the need for measures to make the programme more flexible in ways that enable women to manage the shocks which they face both in the home and in the business environment.

Creating greater access to savings facilities and increasing their flexibility of use are key areas which could contribute to improving impact, by enabling women to build a cushion of financial assets. This can be done by enabling members to remain savers even when they do not take loans, and for this to be the norm rather than the exception, with them being able to opt into loans as the opportunity arises.

The report points out the relatively underdeveloped skills and experience of women in the business environment. While the programme is minimalist in its current approach, the programme could consider promoting messages that make women more aware of the business hazards they might face in doing business and ways of dealing with them.

1 Introduction and Methodology

This report is one of a series of outputs to be produced by the Finca Malawi Impact Assessment Research project. The research involved two qualitative research components, one in each of the Central and Southern region of Malawi where Finca is operating. This report documents the findings of the qualitative research component in the Central Region[1].

The qualitative research component in Central Region focused on 20 individual case studies selected across five village banks (VBs). The progress of these 20 individuals was to be followed over a year from April 2000 until April 2001 and involved three monthly visits designed to capture the effects of seasonality. The process of selection of these 20 individuals for case studies was as follows.

Finca in Central Region was working with some 120 VBs at the time the research began. For the main questionnaire survey 20 VBs were randomly chosen from the 120 VBs existing. It was out of these 20 VBs that five were chosen in which to focus the qualitative research. The method of selection of these five VBs was purposive. A VB ranking exercise was undertaken with Credit Officers on the basis of VB performance. This ranking exercise produced a ranking of the 20 VBs from best to worst as far as Credit Officers views were concerned. The ranking was then divided into five groupings and one VB was randomly chosen from each group (see Annex 1).

These VBs were then visited and a focus group discussion was held about objectives, achievements, and problems. A well-being ranking exercise was then carried out of the VB membership, involving the whole of the VB in the discussion. The purpose of this was to undertake further purposive selection of individuals for follow up case study interviews. Each of the five VBs ranked their members into three groups. An individual was then randomly chosen from each group, after first excluding those who were to be interviewed by the main survey. A fourth individual was then chosen at random from those remaining. These individuals were then interviewed as case study respondents. In practice the sample became 21 as an individual was missed in follow-up interviews and replaced, but was then interviewed in the final round. Over the year, the other 20 individuals were revisited on a three monthly basis whether or not they stayed in or left the programme so were interviewed a maximum of five times. Interviews carried out during the year were used to undertake case studies of business activities and follow up on progress with the business and participation in the VB.

During the initial round of research additional interviews were undertaken with members who had left the programme. Selection of these was largely dictated by concerns of availability as many had either left the area or were sick. It was also purposive in that if particular issues were mentioned as to why they had exited by other members we in some cases sought to follow this up. Five of these were also interviewed on a quarterly basis.

---

[1] Special thanks are due to Donata Saiti who carried out much of the field research.

A range of key informants were also interviewed in the first round. This included non-participants where we asked members we had interviewed to introduce us to a friend who was also in business but had not joined Finca. This would ensure an introduction and at the same time that the non-participant would know something about the programme and was more likely to have reasons for not joining. Other key informants interviewed included local chiefs, market chairpersons, and group chairwomen.

The five VBs that were selected were visited in the first round and once subsequently during the year to observe group dynamics. The interview profile was therefore as follows:

Table 3: Profile of data collection interviews

Interview	**April 2000**	**During the year at 3 monthly intervals**	**April 2001**
Village Bank group discussions	5	4*	0
Participant case studies	20	20	21+
Drop out interviews	8	5	5
Non-participants	9	0	0
Key informants	10	0	0
TOTAL	**52**	**25**	**26**

* - one VB ceased operation.
+ - one member who was in the original panel was replaced in the 3 monthly interviews, the original participant was interviewed in April 2001 in addition to the replacement. The analysis includes this individual.

Data collection methods involved semi-structured interviews and group discussions. The purpose of this qualitative component being to understand the underlying social and economic dynamics of programme participation and outcomes. The framework developed by Martha Chen (Chen 1997) was used to assist in structuring interviews, especially in the final round. This framework classifies impact along 4 dimensions: material, cognitive, perceptual and relational. Broadly the first relates to economic benefits in the domain of income, assets, savings and women's access to and control over these resources. Cognitive, perceptual and relational domains are dealt with under the section on social impact which explores the social dynamics of participation and programme impact both at the individual and community level. The final section consider possible adjustments to programme design and delivery which in the light of the research findings might improve impact.

2 Programme participation and exit

The background to the village banks selected for the study is given in Annex 1 and to the individuals in Table 5. Of the original 21 participants in the study only six (29%) were still members in April 2001. Of the five who were exits in the first round, two had rejoined by a year later.

Table 2: Participation and Exit between April 2000 and 2001

		April 2001		
		Participants	Exits	Total
April 2000	Participants	6	15	21
	Exits	2	3	5
	Total	8	18	26

Further breaking down the pattern of participation and exit for the sample of 21 who were participants a year ago is given in Table 3.

Table 3: Participation and exit of the original participants over one year by VB

Village bank (original rank)	**Continuous membership**	**Break in membership over the year**	**Exits**	**Total**
Apatsa (1)	1	1	2	4
Samana (2)	0	0	4	4
Sitimadziwa (3)	1	0	4	5
Kachere (4)	0	2	2	4
Dandaulo (5)	0	1	3	4
Total	**2 (10%)**	**4(19%)**	**15 (71%)**	**21**

The original ranking given in brackets refers to the rank given to the bank by Finca Credit Officers at the start of the exercise (see Annex 1 for details). The banks were chosen to cover the range of bank performance. The table indicates that the pattern of membership and exit does not differ significantly across the banks. In the case of Dandaulo - a bank which ceased operation - one member had recently joined another VB in the area at the time of the final interviews. Interestingly, of the members in the bank which ranked two in the original CO classification - none of the original members were still participating.

The average total loan amount per participant in the sample is MK 17,212 spread over a maximum of seven loan cycles, and ranging from a low of MK 2,500 to a high of MK 63,000. The average number of loans taken is 3.5. The table suggests a pattern of participation for between two and five cycles followed by exit. Suggesting participation for between 8 and 20 months.

Analysis of the reasons the 18 informants who had exited the programme gave can be broken down as follows:

- one attributed her exit to being pregnant and stopping her business to give birth
- two cited problems with group dynamics – they were both officers and found difficulties in their position in the group
- one complained of contributions for others creating problems for her business, left and later joined Pride
- 10 cited difficulties with repayment
- four were in a VB that collapsed

Attributing exit to one reason is of course difficult as there is often an accumulation of circumstances that lead to members leaving. One way of considering the causes is to distinguish between exit reasons that can be seen as within (internal) or beyond (external) the control of the programme. So for example, becoming pregnant is clearly an external reason. Repayment problems then need to be broken down between exogenous and internal factors. We might consider repayment problems brought about by the illness or death of a family member as being exogenous to the VB programme. However the evidence presented below suggests that while some of these events are exogenous to the programme, it is the design and delivery of the loan product that results in members being unable to cope with the impact of such shocks on their livelihoods. For example, the overwhelming complaint made by VB members is Finca's attitude to deaths in the family. Not only do these events cause economic instability as is explained below, but the programme has not been designed to accommodate such effects. The boundary then between what is an exogenous factor and the way that it interacts with programme design is the critical factor.

While a number of those citing problems with repayment also indicated an external shock we have not sought to further draw distinctions here. The evidence below seems to demonstrate that shocks are the norm rather than the exception – whether to the household or the business. We then argue that the problem of business shocks or hazards is a function of the lack of skills and experience of the members doing business.

From our sample of 26 the exit rates are 13 out of 18 married households (72%) and 5 out of 8 female headed households (63%) a slightly lower rate of exit. The evidence below does suggest that for women in female headed households the capital available via the programme is of more critical importance in enabling them to operate the businesses on which their livelihoods depend. Given the small and non-random nature of this sample it is important that this result is cross-checked with the quantitative survey information.

Part of the discussion we had with individual group members on their complaints about the way in which Finca insists on repayment was why the groups themselves did not develop internal funds to accommodate these kinds of situations. Indeed Finca staff told us that groups were encouraged to do this. Some groups had indeed tried. However, this kind of solution the can create problems also. Group turnover is high and women in Malawi are not particularly experienced in the social dynamics of group operation so that creating the sense of solidarity that this kind of solution requires appears to be difficult.

Table 4: Membership performance of village banks

Village Bank	Data up to cycle number	Current M'ship	Number of current members in last cycle who joined in cycle:							Average loans taken by current members	Average Loan this cycle (MK)	Total Exits	Av. no of loans taken before exit
			1	2	3	4	5	6	7				
Apatsa	7	33	12	1	2	9	0	7	2	4.4	13221	35	2.7
Samana	5	37	11	3	7	8	8			3.0	9157	30	2.33
Sitimadziwa	6	31	8	0	3	1	9	10		2.4	6222	56	2.07
Kachere	6	40	4	0	4	3	12	17		1.9	6822	61	2.03
Average													2.22

Data in table 4 on membership of the VBs up to the last cycle for which we could obtain data (which we will call the current cycle for convenience) suggests differential patters of performance between Apatsa and Samana, compared to Sitimadziwa and Kachere. For the first two there are 12 and 11 members respectively who are members in the current cycle who joined when the VB started. In the case of Apatsa this includes four members who have taken breaks from membership during the period, but in the case of Samana all of these 11 members have been continuous. This compares to Sitimadziwa and Kachere where the number of members from the first cycle is eight and four. In all cases the balance of the majority of the remaining membership has joined in the last two cycles which is generally consistent with a scenario where members drop out on average after 2.22 cycles. It is also noticeable from this pattern that there are a smaller number of current members from cycles two and again we would expect this. However it is notable that the two banks with most members remaining from the first cycle are the better performers.

A dynamic that was reported to us was problems between the longer standing members in the group and the newer members. Older members, especially if they were there from the start, have been through the whole process of training prior to taking loans as well as a number of loan cycles. Newer members tend to feel that the old members dominate and cannot listen to their suggestions, a particular complaint that was made in interviews with participants of Sitimadziwa. A number of members of Kachere also felt that the group had developed problems and lacked unity as it had moved on through the cycles.

This seems to suggest that the abilities of those members from early cycles who stay on in the VB in dealing with those who later join the group is rather crucial. However it does generally point to the fact that with such high drop out rates the process of VB reformation between cycles is indeed crucial.

This difference in membership retention clearly has a significant impact on average loan sizes within the village banks as it is only those who have been in the programme for longer who will have managed to build up savings and hence take loans of larger amounts and this shows clearly with average loan sizes in Sitimadziwa and Kachere averaging between MK6,000 and MK7,000. As the first loan is now MK5,000 (unless the client wants less) this shows that it is the recent joiners who keep this loan size down.

We asked COs involved in the VBs which were in the sample to re-score them at the end of the year. This time however, rather than a relative ranking of the 5 we asked them to tell us on an absolute scale of one to five where they positioned the bank when considering its performance. They considered factors such as repayment performance, the ability of the group to organise itself and discipline. Apatsa remained the best performer and was ranked in the first category. Dandaulo which was in the fifth category had now collapsed. The remaining three VBs were all downgraded by one, so Samana was felt to be a third category bank, Sitimadziwa a four, and Kachere a five. Hence four of the five banks had deteriorated in their performance as judged by COs themselves and the evidence that Dandaulo had ceased operation. This adds further evidence to the view that group dynamics are a serious problem for the programme.

The collapse of Dandaulo bank deserves some comment. This was ranked as the weakest bank in the first round and at that time there was a crisis. It was in the second cycle and apparently a number of women had taken their loans and not made any repayments, indeed they had fled the area at night according to one account. Then the two women who were taking the money to the bank were robbed. However not all of the group members believed this and thought that the women's husbands had taken the money. As a result, the two women spent a weekend in jail. In the interim money was collected from the husbands towards the MK7,000 which was due from the VB to Finca for loan repayments and some of the women in the group contributed MK200 each to make up the full amount due to Finca. When their husbands brought the rest of the money to the next meeting to repay the MK200 that each of the members had paid, this money (according to three of our informants) was used to make that weeks contribution to Finca for the members who were not paying their loans, rather than being used to repay the members their MK200. This annoyed the members who had paid the additional repayment to Finca and further contributed to the weakening of the group. When asked whether it was the robbery that contributed to the collapse of the group, two members said that this was not the major cause. Rather it was the problem with the members who had fled the area. Members in Dandaulo were from two villages who did not know each other and this seems to have been a contributing cause to the group dynamics as it was members from one village who fled without paying.

Table 5: Participant case studies

Informant No.	VB	Marital status	Wea-lth rank	Dep-e-ndant	Ethnic group	Age	Educ-ation	Other inc source	Business May-01	Working capital May-01	Busi-ness Oper-ating?	1st loan	2nd loan	3rd loan	4th loan	5th loan	6th loan	7th loan	Total loan	Overall impact
1	Sitimadziwa	Widow	1	3	Tumbuka	46	F4	None	Embroidery	11740	y	2500	5900	5000	5000	0	0		18400	pos
2	Sitimadziwa	Widow	2	5	Tumbuka	45	std 8	Rent	mandazi	1000	n	2500	3600	4500	4500	8000	10000		33100	mixed
3	Sitimadziwa	Widow	1	4	Ngoni	38	F2	Rent		0	n	2500	4000	4000	6000	0	0		16500	neg
4	Sitimadziwa	Married	3	7	Lomwe	28	0	Husb-butchery	f/w, cc	3000	y	3000	4000	4000	0	0	0		11000	pos
26	Sitimadziwa	Married	3	5	Ngoni	37	std4	husb - builder	fw/cc	1300	y	2500	3500	4500	4500	0	0		15000	mixed
5	Apatsa	Married	1	9	Yao	35	std 5	Husb butchery	maize flour	800	y	2000	4600	0	3000	5700	10000	0	25300	mixed
6	Apatsa	Married	2	5	Tumbuka /Yao	36	std 5	Husb - tailor	mandazi	600	n	0	2500	3820	6500	7800	0	0	20620	neg
7	Apatsa	Widow	2	5	Achewa	42		None	beer selling	9000	y	2000	4600	6100	9600	11700	13000	16000	63000	pos
8	Apatsa	Sep > widow	3	6	Achewa	38	std8	None	tomatoes	2500	y	2000	3400	4400	0	7400	0	5000	22200	mixed
9	Samana	Married	1	9	Achewa	40	std 8	Husb - kaunjika	ground nuts	300	y	2500	4000	6600	0	0	0	0	13100	neg
10	Samana	Widow	3	6	Achewa	45	std 8	None	none	0	n	2500	4100	0	0	0	0	0	6600	neg
11	Samana	Sep - husb took 2nd wife	3	6	Achewa	37	std 8	None	plastic shoes	9000	y	2500	8500	11000	0	0	0	0	22000	neg
12	Samana	Married	2	5	Achewa	25	std 8	Husb - mechanic	mandazi	300	n	2500	5700	3900	3800	0	0	0	15900	pos
13	Dandaulo	Married	1	6	Achewa	33	0	Husb - stores clerk	kachasu	160	y	0	3000						3000	pos
14	Dandaulo	Married- poly	2	6	Achewa	34	std 1	Husb - tobacco farmer	various	0	n	3000	3000						6000	mixed
15	Dandaulo	Married	1	5	?Achewa	30	?	Husb-tobacco farmer	none	0	n	2500	4600						7100	neg
16	Dandaulo	Sep > married	3	4	Achewa	25	std 6	Brother helps out	sells veg	0	n	2500	3000						5500	neg
17	Kachere	Married	1	7	Achewa	46	std 3	Husb - PO cashier	mandazi	300	y	0	0	0	3000	0	0		8000	neg
18	Kachere	Married	3	8	Lomwe	37	std 5	Husb - carpenter		0	n	2500	5500	10000	6000	5000	5000		39300	pos
19	Kachere	Widow	3	3	Achewa	>50		None		?	?	2500	3400	5280	5900	0	0		17080	mixed
20	Kachere	Married	1	6	Achewa/Yao	40	F1	Husb - studio	none	0	n	3000	7600	0	0	0	0		10600	neg
21	Kachere	Married		5	Lomwe/Yao	34	std 8	Husb - taxi driver	none	0	n	2500	4100	5500	0	0	0	0	12100	mixed
22	Samana	Married		2	Ngoni	22	std 3	Husb - cook	ground nuts	300	y	2500	4200	0	0	0	0	0	6700	neg
23	Sitimadziwa	Married	1	7	?	38	F2	Husb - sales rep +bus	zitenje	1000	n	2500	4000	4500	0	3000	6000		20000	pos
24	Apatsa	Married - husb 3 wives	?1	6	Achewa	48	std 2	Husb - butchery	sweet pots	300	y	2000	5820	5500	0	0	5000	8600	26920	neg
25	Dandaulo	Married		3	achewa	25	std 3	Husb - farmer	none	0	n	2500	0						2500	neg

3 Material impact

3.1 Overall assessment of impact

In Chen's framework, the domain of impact on material factors includes: indicators of income and income security; resources over which women may have increased their ownership, access or control; basic needs and earning capacity. We start by exploring respondents' key statements about impact when asked in May 2001 what changes in income they had experienced as a result of being in the VB. The answers to this question did not necessarily stop at income and usually led onto a wider discussion. However it is from these statements that a general assessment of the impact as viewed by participants in the programme can be derived. The responses to this question have therefore been classified into three categories:

- Seven or 27% said that their material situation was better as a result of being in the bank
- 12 or 46% said that their material situation was lower as a result of being in the bank
- Seven or 27% reported mixed results

The category of **'mixed'** results refers to cases where informants indicated that they felt that they had had higher incomes as a result of the loan, but made further statements that detracted from being able to draw an overall positive conclusion.

This overall assessment on the part of participants in conjunction with the exit data presented above, suggests the programme is performing poorly against its objectives with 46% actually indicating that they felt they were worse off while in the VB. In order to give a vivid idea of the views women gave, and give substance to the explanation which follows, extended quotes from the 26 case studies are reported below in boxes 1, 2 and 3, and categorised into positive, negative and mixed impact.

Those reporting that their income situation improved during their participation in the VB mainly reported that when they were in the VB they tended to have money. The following are the pathways through which loans were reported to have impact on income:

- to operate the business more effectively because problems of cash flow which usually arise from waiting for people to pay are reduced
- to operate the business more intensively and thus generate more income.
- to expand the business
- to diversify the business by adding another line of activity
- to change business into something she was more comfortable with and could run more comfortably with a higher level of working capital.

The impact of being able to generate more income was:

- enabling her to contribute to household expenses, especially the purchase of food
- as a result some women reported themselves to be less dependent on a husband providing money for the household

- to be able to contribute to relatives
- to be able to eat preferred types of relish and have more meals in the day

This account of pathways of impact and the effect of higher income levels draws on more than the final assessment participants made of impact that is given in the boxes below. It is important to note that women were on the whole more positive about participation in the first round of interviews in April 2000. At that stage many were still in their second or third loan cycle, many had left the programme and revised their assessment by May 2001.

Of the seven who reported in the final round of interviews that their income situation improved overall, only three were still in the programme:

- two were still members at the time of the final interview
- one was a rejoiner who had previously left the programme because of child care problems

of the four who were no longer members:

- two had left Finca and subsequently joined other loan programmes although joining another programme was not necessarily the motivation for leaving: one complained of contributing for others in Finca, and the other was unhappy with the dynamics of her VB
- one had left when pregnant and not yet rejoined
- one was in a VB that collapsed

There is no clearly obvious relationship between marital status or wealth rank and the positive impact reported.

Box 1: Positive results of participation on material welfare

Informant 1: With Finca she was sure she would be able to buy more materials when the loan came and as a result the flow of income from the business was better but she doesn't feel that participation had much effect on her quality of life. She was able to use the MK 15,000 savings she had accumulated during her participation to help pay off her house , this was the biggest achievement.

Informant 4: she had more income after joining the VB as her capital rose from MK1000 to MK3000 and when she dropped out the income did not fall because she had capital remaining, she has left Finca because of the problem of contributing for others and joined Pride because she wants to save and is not ready to stop getting loans.

Informant 7: She has been able to expand her *Chibuku* business from 20 to 30 crates and been able to buy household items with the income.

Informant 12: she could see that her income was increasing as she was forced to run the business everyday. When she was in the bank she always had money and since she dropped out (because she was pregnant) the number of meals has reduced.

Informant 13: when she was in Finca she had a big capital and was able to make more money and continue with the business - before that she would run the buinsess for a few days and stop again until she got more money. …she was using the profits for loan repayment and relish at home. After the bank (it collapsed) she could not have money of her own.

Informant 18: when she was in the bank money was not a problem - she could not worry about whether her husband was present or not. She has money when she needs it and enough for the business.

Informant 23: she feels able to make more money when she is in the VB, the weekly repayments make her run her business intensively and she doesn't have time to stay idle. It is different because when her husband says he doesn't have money and she has no business then she ends up borrowing from friends but now she can use her profits instead and to keep going to friends houses and borrowing makes you look stupid and you don't have peace.

The 12 who reported negative impacts (see box 2), reported the following types of problems:

- having insufficient money to make repayments and provide for household consumption - for married women this could mean that they simply did not contribute to household expenses but for female headed households this is particularly problematic as they are the sole providers
- having to use the income from the business which was being saved to re-stock for repayments and hence reducing the size of the business which resulted in further repayment problems - "eating" the capital
- having to borrow from friends to repay, which could result in them talking badly about you behind your back
- being constrained in the use of the income when in the bank and having to worry about repayments
- eating less preferred and cheaper types of relish, in the main this meant eating green vegetables and usipa (small fish) rather than meat and eggs
- reducing meals in order to ensure there was money for repayment
- one reported that she had disposed of household items in order to repay (informant 10), while another two reported that they had re-sold household utensils which they had acquired with their income from the loan in order to make repayments or payback others from whom they had borrowed to repay.
- Having to run the business intensively and not having enough time to rest

Of the 12 who related overall negative impact, two were still in the programme. One had specifically rejoined and was waiting to get a loan with which to build a house at home and had negotiated with her husband how he was going to assist her with repayments from his salary. The other was a woman who had been voted out of her VB once because she had joined another programme in the area then rejoined the bank when she left that group. She was in a very difficult situation at the time of the interview being one of three wives with a large family of 7 depending on her income and at the time having only enough capital for a small sweet potato business. She was planning to sell a bench in the market (ie a selling place that she had purchased many years earlier and which she was renting out) in order to repay the following week.

Box 2: Participants who related negative impact on material welfare

Informant 3: "I could use the little profit obtained for buying relish but nothing more. "I can tell you that there is not even a cloth I can claim to have bought using profits obtained from business I have been running using FINCA loans"…she said that repayments had reduced the business and she relies on this for daily consumption and so used her capital for household expenditure. (She is a widow and therefore entirely responsible for providing for daily consumption.) She described a situation where she had money in the house when her daughter got sick and instead of using it to go to a private clinic as the next day was the day for repayment, she just bought fansidar and pain killers and fortunately the child recovered but she wasn't sure it was correct (ie the treatment).

Informant 6: before VB was unable to make more profit, when in the VB she could see as if she was making profits but after repayments had no money left so now she thinks she is making as much profit as before (making mandazi with working capital of MK600). Her husband's business is doing well and he is meeting the household needs and her profits are just for herself. She went on to say that the advantages of Finca outweigh the problems as there is nowhere else that you can borrow MK5000 for 4 months, and to her the goodness and the problems do not differ much - if you are running the business the weekly repayments are painful …. "when you are desparate for something you just accept the conditions".

Informant 9: She felt that she was not able to have more money in the VB, profits were not enough for repayment and she had to use the capital, then there was not enough to repay and she had to borrow from friends…if she is in the bank she is paying for the loan and not assisting in the household.

Informant 10: being in the bank was giving her a headache, she had to invest all the money and she couldn't sell all the mandazi and if they came back she would have to reduce the price the next day…when repayment day comes the profits are reduced and not enough left for household consumption.

Informant 11: comparing her income she feels that when in the bank it was very low and she is now able to run her business freely and has no problems with the types of food she is eating and this is because she doesn't have to make repayments. In the past she was not saving but just reinvesting, now she is saving …

Informant 15: she was the chairlady of the group and was robbed on the way to the bank carrying the groups repayments in April 2000. She and her husband have spent the last year paying off the *katapila* debts which they incurred because they had to pay the money which was stolen. She says that before she joined the bank she never had such a big problem, even though there was not enough to eat at home, she and her husband could get enough money to solve it.

Informant 16: " when in the VB I was able to make more profits but because of the weekly repayment I could find myself with nothing to spend at home" she believed that she is actually now making more than at that time having run the vegetable business using about MK500 but currently having no working capital and expecting to get from her husband in the following week.

Informant 17: comparing the period she was in the bank to after she left " (now) I do not have problems getting relish and food. Every time I need relish I just use my money. Mostly I save my business capital and spend the other money. When I was in the bank I could eat pumpkin leaves continuously even if I had money in the house. When I got money all I could think of was loan repayment."

Informant 20: When she was in the bank she could be having more money but could not use it at home and could suffer. She felt her income decreased although she knew the savings were hers but an increase in suffering - being forced to save MK200 per week (though this figure is high given her loan size - she might have meant her total payment) and no money for relish! She doesn't feel she benefited from that.

Informant 22: felt her income is higher since the bank because whatever she made she had to think of repayment and had to stay without eating in order to have enough for the repayments…now she has peace of mind, unlike before. When she dropped out she was just like a slave (*kapolo*) to the loan.

Informant 24: when in VB she feels her income goes down but when she is running her business on her own that it increases..when she is in the bank her income is low but she has more security because of the savings and you don't waste so much money and she is assured of having some savings if she runs out of money.

Informant 25: she felt it created problems for her - if she could say she bought a cloth it was when she bought uniform for the cycle...but she didn't manage to buy anything for her kids or herself or the household.

Those who reported a mixture of impacts either made divergent statements or presented evidence that appeared to contradict their statements. For example, informant 2, a widow, felt that she was able to have money while in the bank because she could run a business, but evidence over the year clearly demonstrated that she had had many problems in using the loans effectively for business and at the time of the interview was not doing a business at all. She had used other sources of income in order to repay her loans over the year and she had rented out her house and moved into the chicken shed behind to raise more income. While we are not suggesting that this chain of impact is entirely a result of taking loans as there were other issues at stake, the respondent had to admit that she had not succeeded in her businesses but now felt unable to leave the VB as she needed to be doing something which could help her when the income from house rent on which she mainly relied was finished.

Of the seven respondents whose experience was mixed, three were still in the programme, one having rejoined another VB at her husband's request because the first VB she was in had collapsed (informant 14). The third (informant 8) was widowed during the year and business was her only source of income, she had encountered a range of problems with repayment in the past and had been dropped from the group because of her difficulty in repayment when her husband (who had lived with a second wife elsewhere) had died. For her, business was the only possible source of income, and loans were the only source of capital with which she could run the business.

Box 3: Participants who reported some positive impact on material welfare but related problems

Informant 26 indicated that the loans had enabled her to diversify from mandazi into firewood and charcoal but that she felt that her income was more secure since she had dropped out: "Now I do not have pressure of running it. I do it when I wish. I have enough time to rest. My diet has now changed. I can now buy good type of relish when I wish unlike when I was in the bank."….. "Nowadays I cannot sleep without eating. Always I have money for buying my needs like soap, relish, salt, sugar and even clothes. Bt when I was in the bank, I could stay without eating due to relish problem while I have money in the house. This was because the first thing I could always think of was of loan repayment."

Informant 2 said that she was is to have money when she is in the bank, but currently had no working capital, was not running a business and was using other sources of income to repay.

Informant 5 felt that she had more income when in the VB because she was forced to run her business intensively but she dropped out because she had to repay her husband money she had borrowed from him for repayments for which she used her savings because she felt that if she took another loan and used money from it to repay him, she would again get into repayment difficulties with that loan.

Informant 8: when she is in Finca she always has capital for running a business even if it goes down but on her own it is difficult. She had had a series of bad difficult experiences of struggling to repay earlier loans in the face of her husband's death

Informant 14 was in the bank that had collapsed and while reporting that her husband had been able to do business with the money she said that they had not yet seen the benefit of having a loan and she had rejoined another VB in order to try to realise the gains that others had reported.

Informant 19: was not traceable after the first interview when she was sick and struggling with repayment and left the area without repaying her loan. She reported that the loans had reduced her problems but that she had had to dip into the savings of her grandchild in order to pay back her sister from whom she had borrowed to make contributions.

Informant 21 said that she was able to make contributions to household income when in the VB but that her husband made repayments and she experienced various losses. "When you are finishing they cycle you have used up all the money and used money from your pocket as well." Her husband was worried with no food in the house and having to make paybacks.

Assets

The evidence on assets indicates that ten informants reported having bought some assets while being in the VB. In the main these were household items such as plates, pots, blankets, a mattress and so on. The largest items bought involved informant 5 who purchased a display cabinet and a radio and contributed to house building. However she borrowed against the radio to make the last instalment and was able to retrieve the asset using her withdrawn savings. Two of the ten women commented that while they had bought household items while in the programme they felt that they would have done this anyway (informants 6 ,9). One had bought the items with her savings on exit (informant 17) and two commented (informants 10, 16) that they had bought items and then had to re-sell them in order to gain the small amount of money necessary (MK100-200) to repay someone or restart the business. This leaves five who reported buying items as a result of being able to generate the income via the loan without any qualification of the circumstances. In contrast, there were two cases (informant 10, 24) where assets which were owned prior to the loan had been sold to assist with loan repayments.

It is notable that none reported have purchasing assets specifically for business use although some who bought pots might well have used them in making snacks for sale. However it is worth nothing that the types of business that they undertake require that they extend their control over assets in order to operate their businesses.

Savings

The savings component was extremely popular with members, for a number of reasons. First, most commented that it had taught them to save. This was a result of the discipline of having to save each week - some commented that they were unable to save before by keeping money in the house as they would tend to use it for household needs or just buy things (informants 9 & 11). Another commented that you could save even as little as MK20 or 40 (informant 4) and that this was good. They felt that it was easier to save with the village bank than on your own and one particularly felt that it was good that you cannot take them out so easily (informant 2).

Negative comments on the saving component did arise at a group meeting and from one informant (informant 3) who said that they had so little left after making their repayment and the saving that they had nothing left for the house.

The purposes women gave for saving in April 2000 fell into two categories. Ten indicated a longer term objective which mainly revolved around the welfare of their children. In this context there were two major concerns: providing for the education of their children and provision for them should the woman herself die. In the case of education this was for some a current concern and for others it stood a long way in the future. In the case of provision for children in the event that she should die (informants 5,6 and 26), women had a concern that their husband might not provide adequately for their children or might use their money to get another wife:

> *Informant 5 explained that her purpose for saving was to build houses and how she has bought plots and has registered them in her younger sister's name and in her children's names, on the other hand her husband was saving for a car. Asked why she felt this was the best strategy for supporting her children should she die she answered "You never know what one thinks deep down in their hearts. I can agree to this [ie that her husband will provide for the children] but never know what will really happen. Hence I build houses and put them up for rent and this will help support my children rather than buy a car. He can even marry later on." This was also the informant who dropped out for a cycle and cited the savings component as a particular reason for rejoining but exited again..*
>
> *Informant 6: "I am afraid he will marry someone else and my children will end up suffering".*

Saving to buy land or build a house was particularly important to two of the separated women (informants 8 &16) and a married woman who had dropped out (informant 21). Another woman - informant 4 said that she wanted to buy household items such as chairs with her savings so that "*when I go back to the village and I have problems I will sell*". This appeared to be related to the eventuality that her marriage might fail and she might return to the village.

In these ways the savings component was giving women a greater sense of future economic security either because they could better provide for their children's education, or because they had been able to improve make better provisions for their welfare should she herself die.

During the first round another purpose women gave for saving (four informants) was to use the money in starting a bigger business when they dropped out of the scheme. These women were at the time struggling with repayments and felt that they would be able to do better if they did not face the pressure and risks of repayments. This they particularly felt would be the case if they tried to move into a larger business with a loan (eg Kaunjika – informant 12).

In the final round, as 66% had exited the programme, a number commented on the fact that once they had exited from the programme they missed having somewhere to save. Given the positive regard in which the savings element is held it is important to note a number of problems which informants voiced in relation to it. These problems mainly arose around the experience of exit. For some they felt they had established a target which, since they exited from the programme they had been unable to fulfil. A further problem was that since their exit from the programme was not necessarily planned, they were given their savings back at a time when they had not planned how they wanted to use this reasonably large sum of money, and as a result it got used in the house or for purposes for which they had not planned. One complained that the savings had not come when she expected so she had to borrow from others to carry on with her business and then use the savings to repay when they finally came.

Overall assessment of impact: conclusions

The evidence of impact on the key economic dimensions of income, assets and saving suggests that positive impact on income has been limited to a minority of cases. Further, asset accumulation has occurred on only a small scale and this mainly in household assets rather than productive assets. Saving is extremely popular as a means of accumulating financial assets but due to the fact that many have left the programme or interrupted their participation, this has cut short this method of asset accumulation.

In order to explain these results in greater depth it is necessary to understand a range of social and economic dynamics. First, it is necessary to explore the nature of women's businesses in Central Region. Second, it is necessary to understand women's objectives for income generation and related to this the intra-household dynamics of income and expenditure. The next two sections address these issues in turn.

Before beginning to explore the nature of women's business operation, it should be noted that many in the field of microfinance regard the emphasis on business activities for loan investment as misplaced (including myself!). This view argues that households have a portfolio of livelihood activities and income sources and that use of the loan for business purposes is not important as long as the range of income streams available to the household can be used to repay and that household members are the best judges of the use of the loan and the income streams. We will explain in the section on gender and intra-household relations below why, in the economic context of the central region of Malawi and the social context of gender relations, business activity is indeed important.

3.2 The dynamics of women's businesses in Central Region

Subsistence micro-enterprises

The **scale** of businesses that women who have joined Finca are running in Central Region is small. The column of current working capital in Table 5 indicates the situation in May 2001. None of the women had larger businesses a year earlier. The largest business has a working capital of approximately MK 12000 (of which approximately MK10000 was currently accounted for by customers from whom payment was awaited (debtors)). This business was an embroidery business of informant 1who had left Finca due to her dislike of her VB's dynamics and joined another loan program. Two other businesses had working capital of MK 9000, one of whom was a *Chibuku* seller and still in the program, while the other was selling plastic shoes and had left the programme. 8 businesses have working capital of MK3000 and less, 14 respondents were not running a business at the time of the final interviews although 2 had a small amount of working capital with which they were planning to restart.

In terms of the business ladder this puts the majority of businesses in the category of 'subsistence' micro-enterprises while the three larger businesses within the region of MK10,000 working capital are on the boundary of the category of 'stable' micro-enterprises (Orr and Orr 2001). Two of the informants with larger businesses reported that they had been able to grow as a result of getting loans, while the third (the plastic shoe business) thought that Finca loans had set back her progress and the business had shrunk during her period in the programme, she reported that her working capital had been reduced from MK8000 to MK4500 and since she left the program she had been able to build the capital back up to MK9000. What is notable is that three businesses were all run by women in female headed households and they had all been operating the same business a year earlier.

These 'subsistence' businesses with capital of less that MK10,000 are highly volatile and vulnerable. It is common for the working capital to be "eaten" as the needs of daily household expenditure exceed profits, or an urgent need arises for the funds being saved for re-stocking. Before women join the Finca program their most common type of business undertaking are businesses such as *mandazi* and snack making. When they undertake this kind of business they have usually obtained MK200-300 often from their husband and started making the mandazi a few times a week. Some of these activities can generate very high profits (see below). Once either, the working capital has been eroded to a level where it is no longer sufficient to buy the relevant inputs it is usually spent, or a shock to the household economy (e.g. a funeral), results in the member using this capital for an alternative purpose and the business ceases until the working capital again becomes available.

Some of the 'mixed' category results given above are explained by these dynamics. The key point is that the businesses in which members may have invested their loan have not been sustained. In the early stages of taking the loan members generate levels of revenue higher than they have experienced before. But the distinction between business revenue and income which can be used for consumption is not made and hence members tend to "eat" their capital by spending more than their profits. Then towards the end of the 16 week cycle they have to use up their working capital to repay the loan and/or borrow to repay. As many women have not handled such levels of revenue they feel better off and see this as income in the early stages, only to experience problems later in the cycle.

It becomes clear from the fact that 14 of the 26 informants (11 of the 21 who were members of Finca one year ago) were not operating businesses at the time of the May 2001 interviews that businesses for this group of women very much have this start - stop pattern. The capital can be eroded easily, not only due to the daily needs of household consumption but also due to the myriad of shocks that people face in terms of the broader household and livelihood system as well as in their businesses.

In April 2000 Finca's minimum loan size was MK3500, and in May 2001, the norm for first loans had become MK5000 although they could be anywhere between MK3000 and 8000. Given the small amount of existing capital (if any) the business are highly leveraged from the outset with probably in the region of a 10 to 1 debt to equity ratio. Moreover in many instances members await the loan in order to re-start a business and for a number of informants it is this reliable injection of cash which makes the program particularly attractive.

Further, Finca members rarely invest the full amount of the loan, in their business. Members keep some of the loan behind in order first to make payments in the early weeks of the loan, especially week one. Second, they (sensibly) anticipate that the business will 'go down' ie run out of capital and therefore wish to keep a reserve with which to re-inject the business with working capital later in the loan cycle. Some also reported that they were told by loan officers not to invest the full amount of the loan. Further, it is also common for some of the loan funds to be used for other necessary livelihood purposes.

Business profitability and business hazards

We next explore in more detail the profitability of some of the types of businesses carried out by the informants using case studies of their business activities. The business case studies were developed through interviews with informants who carry out the particular business. Where there is more than one case study of each business they are numbered.

Table 6

Type of business	**Working Capital Utilized (MK)**	**Period of investment (days)**	**Net Revenue/ day**	**Gross Profit margin (incl labour)**	**Annual Revenue rate of return on capital invested % (excl labour)**
Chibuku (May 2001)	12000	3	500	11	1300
Kaunjika	8100	6	933	40	3594
Freezes (hot season)	6120	1	32	1.1	82
Tomatoes	2220				
Sweet potatoes	840	3	119	25	4420
F/wood & C/coal (cold)	700	3	320	62	14263
Kachasu (2)	410	6	36	14	2740
Kachasu (1)	357	6	130	50	11361
Mandazi (2)	330	1	233	38	21182
Mandazi (1)	247	1	208	35	25263
Vegetable trading (dry season)	1000	3	48	77	1498
Vegetable trading (wet season)	500	3	2	6	125

The business case studies are based on the way the informant operated her business at the time of the interview (eg the number of days per week that the business was in operation). The business case study calculates the costs and revenue for a month, an example is given in annex 2. The amount actually required to undertake the activity is given in the first column. Revenue per day gives the revenue net of operational costs but excluding labour costs. Profit margins are based on monthly profits and turnover figures and are calculated using an imputed cost for labour of MK 500 per month. The third column gives a figure of net revenue per day (not including own labour) as it is the amounts of money that women have in their hand at the end of the day that they use to assess the profitability of the business.

While we have presented the figures from these case studies, they must be treated with caution. The business case studies were not based on the specific performance of the informant's business in the last week or month, but on a 'model' version of her costs and revenues. This is therefore likely to be an optimistic and idealised view that the informant takes of what the business is capable of achieving rather than necessarily what she has actually achieved with it.

The returns on some of these activities are astonishingly high. For example the returns to investment in *mandazi* making are in the region of 20,000% on an annual basis. However, the reality is that this is not achieved on a continuous basis because of the livelihood context in which they are being carried out and the hazards that businesses encounter. For example, these figures help explain why many have the ambition to go into the *kaunjika* business as it appears to produce daily revenue of approximately MK900 per day. But this does not take account of the hazards and ups and downs of the business, and the fact that business may stop and start as indicated above. Few of our informants, had for example, operated the business before. The problems they had encountered in conducting it included:

- Informant 6: had bought a bale which turned out to be white rags from which it was difficult to make clothes (her husband, a tailor, would usually help by repairing clothes or making clothes out of material in the bale), she made bedcovers but people did not buy and she ran out of capital by week 5 of the loan cycle. She also reported that it is difficult to sell *kaunjika* at one market and that it is necessary to visit a number but it is still possible to come home without selling.
- Informant 5: gave 40 blouses from her bale to a boy employee to sell and he sold them for MK5 instead of MK25 each and she made a loss.
- Informants generally noted that due to poor payments to tobacco farmers in the 2000 season, demand for clothes and items usually bought with tobacco money was low

The problem of poor sales in 2000 and employees losing money are not unique to the *kaunjika* business. The hazards involved in operating businesses at this level are many. These hazards and problems are reported below in some detail because their importance in operating businesses is absolutely central to the discussion here of the impact of Finca loans. The impact of encountering losses is immediate and either reduces the level of business operation or prevents the business operating at all if working capital remaining is inadequate to make a particular business viable. For example, having inadequate capital to buy another bale of *kaunjika*. As we have indicated above, most of the informants we talked to were operating their business with loan capital alone.

Some of the hazards and problems encountered by informants over the year in other businesses were as follows:

- A number of businesses are operated by selling on credit (and this is one way of attracting customers in a crowded market). Businesses which do this include *zitenge* and embroidered sets for covering furniture and tends to be particularly the case for those who sell door to door in areas which are mainly populated by employees paid monthly (eg Areas 23 and 49 of those we visited). This requires follow up and can result in difficulty in ensuring full payment with the timing being especially important as this makes the difference between being able to continue with the business or running out of capital. (Informants 13, 3, 2). Further having the skills to be able to keep asking people for money can also be a problem, informant 2 admitted that she was not persistent enough in this follow up to be able to sell on credit and should ensure that she only undertook cash sale businesses in future.
- Four informants reported having ventured into fish retailing. This involved travelling to the lake. Three of them encountered problems because the lake suffers *mwera* winds which prevent fishing. They either used up their capital in subsistence while waiting a number of days, or when the fish came they had to buy at high prices and were unable to realise higher prices from customers hence making losses. A fourth informant was simply unable to sell out and the fish went off and had to be thrown away.
- Hazards of trading in perishable items: An informant who ventured into mangos found that they were rotten by the time her husband brought them back from the village as there had been transport delays (informant 24), while another (informant 5) found they went rotten by the time she could sell them. Another who gave money to her son-in-law who bought tomatoes and lost money as these were green and didn't ripen properly and had to be thrown away. Another (informant 15) who bought vegetables for sale found they went bad. Another bought tobacco to sell to traders (informant 11) but it was damaged and was thrown away.
- Informant 5 started selling maize but there was no profit in it because people had their own.
- Informant 6 - tried selling fritters but they couldn't sell out so she stopped
- Informant 7 - started lending *katapila*, starting out being able to repay well from the repayments but now is having problems with MK7000 of outstanding loans.
- Informant 7 - was robbed of money which she was carrying to buy stock and had to borrow from friends to continue
- Informants 7 found some of her money was disappearing from her house so decided to keep it with a storekeeper who then on-lent the money to someone else which resulting in her having access only to MK1000 instead of MK3000 when she needed to buy stock.

- Informant 26 - started a vegetable stall but found that money was disappearing from it, believes others were using witchcraft and claims her eyesight was damaged - the problem stopped when she stopped operating the stall.
- Informant 3 tried selling cassava in the local market but was visited by one person demanding MK500 if she wanted to sell there, and then by another claiming the same. She stopped the business.
- The risk of employees losing money is also high - as indicated above a boy employed to sell kaunjika sold at too low a price; in another instance (informant 10) a boy employed to sell eggs disappeared with them; in another instance a young brother selling claimed the money from eggs had been stolen and did this often enough to make the informant (22) suspect that he was lying and had used the money himself.
- Another brewed beer but the flour was bad and the batch was bad (12).
- A seller of Chibuku beer has seen her profits per packet fall from MK8 to MK3 as the company has put up its wholesale price but will not allow its retailers to put up their prices.

Encountering hazards such as these results in losses. Furthermore, the method of weekly repayments (of $1/16^{th}$ of the amount borrowed plus interest) means that they are extremely hard to sustain without resort to alternative income sources. Moreover, these hazards are in part caused by the fact that people venture into businesses they have never before operated. This need to shift businesses is caused by a number of factors. Once a shock has been encountered then there may be insufficient working capital to engage in the same business the next week eg to buy another bale of *kaunjika*. Second, as borrowers gain a bigger loan in each cycle, they aspire to being able to undertake a larger - and as they see it - potentially more profitable business. Third, this situation is further exacerbated by the heavy seasonality that influences the business context in the region and means that people need to change business. Moreover, Finca officers also tell clients that diversifying their business operations is necessary to ensure they can repay loans, since if one business fails they will be able to use income from the other to repay.

Seasonality

Despite the Lilongwe area being urban, the economy is heavily influenced by agricultural seasonality compared to the Southern Region. **(Sheena can you please provide a copy of the map which shows this contrast with South).**

A seasonal calendar drawn up with respondents in Samana VB is given in Table 7.

Table 7: Seasonal calendar

	Agricultural activity	Income - expenditure flows	Business activity
January to March	Wet season - have to hire labour to work on crops, and buy fertiliser. Those whose maize has run out have to buy.	Little money in circulation. People concentrate on buying maize if they have finished their own supply. Also school fees for secondary have to be paid.	Sell basic needs - eg firewood, maize, mandazi, sodas, eggs.
April to July	Starts with tobacco harvesting and selling - followed by maize.	Income from crops starts to circulate. After maize harvest most money is in circulation and is the peak season for business.	Incomes rise as tobacco and maize harvest is sold. Can sell cooked foods more easily and this is when people are most likely to buy clothes, hardware and other household goods such as furniture and utensils.
August to December	Start preparing to plant as rains begin in late November/December.	Cash required for inputs of fertiliser and hired labour and to rent land	Business starts to reduce again - can also sell eg plastic sheeting for roofs in preparation for rainy season and eg bags for packing grain.

While Samana VB is in Mponela which is some 60km north of Lilongwe and can be described as a rural town and hence the influence of agricultural activity is unsurprising, three out of the five VBs that we visited were located in areas which were predominantly rural - including Lumbadzi and Chiseka. However the influence of tobacco production on business incomes in town was also apparent with a number of informants in Areas 23 and 49 also explaining their poor business performance last year as a consequence of low demand for cooked foods, clothing and household items which usually do well in the period after harvest. In the 2000 season, farmers obtained low income for their tobacco. This was the first year that middlemen were allowed to trade in tobacco **(Sheena - is this right?)** and the result was that there was a deterioration in quality of tobacco traded at auction. This together with only moderate international prices, resulted in poor payments to farmers. Moreover, tobacco was sold in April/May and the Kwacha was heavily devalued in August resulting in further erosion of purchasing power as prices of imports rose. Further, it was notable that we undertook the final round of interviews in late May 2001, again a time when business should have been getting going as a consequence of tobacco sales. However, it was apparent that business had not yet picked up yet as tobacco sales were only just beginning. **(why were they late this year?)**

Seasonality in business results in opportunities and profitability changing rapidly and those who have not ventured into a type of business before can be caught unawares with produce they cannot sell, or making losses as the hazards above indicate. Apart from this overall influence of tobacco on purchasing power, there is then the seasonality of particular types of crops eg sweet potatoes, tomatoes and other vegetables. Since many informants seek to go to the rural areas themselves to buy stock they can find that there are inadequate crops for sale, that quality is poor or that transport problems result in deterioration prior to them being able to sell.

Further, it is often the case that highly profitable opportunities come and go quickly. Hence informant 3 had quickly picked up a profitable trade in sausages. She imported from Zambia and sold locally. After a few months later not only had the exchange rate shifted but a local factory had opened up making sausages more cheaply than the imported ones. She was able to make very high profits for a short period having seen and exploited the opportunity. She had also been making sofa set covers using a type of imported paint from Germany - again changes in the exchange rate made this niche market no longer profitable.

Hence a number of factors lead to a situation in which participants are forced to change businesses. Seasonality, changing availability of working capital, business opportunities for high profits which can change rapidly.

Constraints to diversification and expansion

As clients take loans which make available more capital than can be absorbed by the existing business there is a need for them to diversify as well as or in place of expansion of their existing business. While the loanee might have been operating a small income generating activity such as making snacks, or firewood, they aspire to businesses that they perceive as having higher levels of profitability when they have access to a larger sum of working capital. With the first loan (initially MK3000) the existing business usually benefited from expansion. So for example in the case of mandazi the member could buy flour in bulk eg a bag which would enable a rise in profitability (for example informant 17). Moreover, given the data in table 6 on revenue and returns, it becomes apparent that it is possible to make the weekly repayments on a loan which has only been partially invested. Weekly repayments on a MK3000 loan including the savings requirement total MK270. However, there are considerable constraints to expanding the informants original business. In the case of *mandazi* making particular problems cited by informants were:

- Competition - in area 23 mandazi making had been the main activity of informant 18 for some time, but recent intensification of competition had forced her to travel to a new area to sell.
- Labour in production - informant 18 who reported the largest scale of mandazi production used her two teenage daughters to assist her in production which started at 2am in order to catch the breakfast trade.
- Labour in selling is usually the job of children - especially those aged between

> about 8 to 16, and more likely boys than girls. Expanding production generally requires more children as vendors. Family labour is more reliable than hired labour and hence access to children's labour can impose a constraint on expanding production.

The latter two constraints were reported by informant 12 who had previously made *mandazi* with the assistance of her younger sister in production and two orphan relatives in selling. The latter two had now gone to stay with her mother and her younger sister is older and less willing to sell by the road. She was therefore wanting a bigger loan with which to carry out the *kaunjika* rather than the *mandazi* business.

This pattern in part explains why informants have few problems with the first loan as they tend to concentrate on expanding the business they know best and if they do encounter problems are still able to repay the loan with the returns from a relatively small scale of enterprise and/or top the working capital up with loan funds which were retained for this purpose. As the participant moves onto larger loans these fallback strategies are less viable as the amount she has retained from the loan is insufficient to eg buy another whole bale of *kaunjika* , and it becomes more difficult to generate the level of income required to pay a larger loan from a business such as *mandazi* making.

Sometimes diversification strategies also involve giving loan funds to relatives to undertake business which they had never done before. However it was very interesting to find that rarely were women in central region giving loan funds to their husbands to invest in their own businesses. Only one informant (14) had given the entire loan to her husband since it was he that had wanted her to join in the first place. One other informant reported sometimes sharing loan funds with her husband (5) as he had a butchery business. We will comment further on the gender relations involved below.

It is notable that the women with the three largest businesses in the sample (informants 1,7,11) had been operating the same business a year ago again suggesting the difference between their stability and the subsistence nature of other women's business activities. Two informants indicated that they had learnt the hard way from their experience of changing businesses:

> *Informant 26:* "I still want to continue with the same business (firewood and charcoal) since to go to another business will just make me lose my capital"
>
> *Informant 12:* her main activity was making *mandazi* and she had experienced losses in the past in beer brewing, she said "this is the business I am used to. I am always afraid that going into another business may just make me incur losses".

The presence of a culture of business

A further factor that comes through strongly from the interviews was that since they had left Finca some women felt they now had time to "rest". This highlights the fact that for those women who are married and whose husbands do indeed support them, there is little compulsion to do business in an intensive way. Most have previously done business when they want some money for their own purposes and can undertake it flexibly to fit in with other responsibilities. However, with the pressure of loan repayment they felt they no longer had this choice and this contributed to the pressure they felt to undertake the business.

The other side of this is that women also commented on the fact that the loan repayments gave them a means of monitoring their business performance (informant 5,18) compared to not being in the bank.

The relatively under-developed environment for women in business is further underlined by recent data from the Gemini study of MSE in Malawi which indicates that some 34% of MSEs are owned by women, contrasting to an average of some 75% in other African countries (Ebony Consulting International, National Statistics Office et al. 2001). In addition a study of micro entrepreneurship in Malawi (Orr and Makawa 2000) also suggests that women face a number of constraints in engaging in business. These encompass the fact that men are seen as primarily responsible for providing for the family and women's role is as to take care of the children and the home. Their mobility from home is constrained by these responsibilities and women who travel to undertake business are suspected of being promiscuous. (Orr and Makawa 2000, p32). The threat that women's financial autonomy poses to power relations between husband and wife is also reported by the study. The study further indicates that women are relatively new to the business environment and recent years has seen an expansion of the rate at which they are entering business. This serves to illustrate the broader context in which the Finca programme is operating in Malawi and it contrasts significantly to the social context of women operating in business in many other countries in Africa where the culture of women as traders and in business is much more developed eg in Ghana and Kenya.

3.3 Gender and shocks to household livelihoods

The vulnerability of households to frequent shocks is a further reason for the stop-start pattern of business. The main shocks are death and illness. 10 of the 26 informants reported a death in the family (usually close relatives) or the need to attend an important funeral over the year. Only one of these had been able to leave the repayments for the loan in advance of leaving (7). These deaths have impacts on money, time and physical and psychological ability to operate a business:

i) it is necessary to travel home and if a close relative then the person may be away for more than a week meaning that the business is not operated during this period.

ii) travel and attendance at the funeral costs money - available working capital that has been saved for restocking the business is invariably used, in one case the informant was on her way to restock at the time she heard her brother had died. She used about half the loan (MK4000) and her husband had to assist with repayments in the first 12 weeks of the loan (Informant 21).

iii) Cultural norms require that no-one in the village works or operates business for up to a week after someone dies. 3 days is the minimum if there has been a death.

iv) Where a woman has lost her husband she is particularly affected. In Moslem culture she should spend 40 days without doing anything. Informant 3 stayed in the house for 3 months although she employed someone to sell freezes and cold drinks for her. Moreover, as another widow explained the effects are longer term and grieving means you feel uncomfortable and can't concentrate well.

The impact of illness is also marked. This is not necessarily illness of the informant but the fact that as women, it is their responsibility to look after sick children or attend sick relatives in hospital, for example:

> *Informant 23* explained how her daughter had come home from school suffering from malaria and after she had recovered another child got sick. When this one recovered she got a message about a funeral at home. She had not only shut her business but her capital of MK5,000 was spent on treatment as she used private hospitals, and in attending the funeral. She expected that her husband would replenish the capital after he had been paid at the end of the month.
>
> *Informant 20* had a similar series of events, a sister's son became ill in hospital and she attended him, then her own daughter was in hospital for 2 days, then the nephew died and there was a funeral at home. Her niece then became sick and she spent another week at the hospital looking after her.

The financial requirements involved in treatment can also exhaust any available funds which might have been being saved to restock the business. Indeed, informant 3 (see Box 3) explained how she had not used funds she was saving in the house for the following day's repayment and as a result simply bought drugs for her daughter rather than taking her to the clinic and that she was fortunate that the drugs did the trick, but was unhappy about having to make such a choice.

3.4 Gender and intra-household dynamics

The marital status of the interviewees was as follows:

Table 8: Marital status of respondents

Marital status	April 2000	May 2001	Interviewees who were exits in April 2000	Total (as at May 2001)
Married	11	12 + 1 additional respondent	5	18
Widowed	6	7	0	7
Separated	3	1	0	1
Total	20	21	5	26

In the case of separated women, these were all cases where the husband was living elsewhere usually with a second wife and was making little if any contribution to the first wife's family. During the year one of the separated women was widowed and another of the separated women remarried a man who already had one wife and therefore was not living with him although he contributed to the household.

The proportion of widowed and separated – hence female headed households – in our sample appears to be higher than in the overall population at 30%. The baseline survey (Mann 2000) indicates that 78% of the Finca sample of borrowers were married and 22% widowed, separated or single. We first discuss the situation of married households before proceeding to consider how the dynamics for female headed households differ.

Married households

There are two aspects of intra-household relations which are central to understanding the pattern of loan demand and use which Finca borrowers experience in Central Region.

The first is the fact that women are investing and using the loan themselves. As indicated above, the research encountered only one case of the loan being obtained specifically for use by a husband (informant 14) and only one other (informant 5) who reported giving the remains of the loan to her husband after investing in *kaunjika* as she was afraid she might misuse it. Most women reported that their husbands did not interfere in any way in the loan, or how it was used, or how the income from any business activity is used. A few women reported either having asked their husbands permission to join Finca in the first place, consulting them about how to use the loan or telling their husbands when they received a loan out of respect. One husband (informant 4) refused even to be consulted so that in the event that she faced problems she should not say that he contributed to her failure. On the other hand informant 9 consulted her husband and he would advise her what to do, but as she explained, her loan was too small to share with her husband.

So what we do not see here is women investing either the loan or business income in a wider range of household income generating activities. Hence the constraints they face in operating their own businesses in terms of hazards and constraints to diversification and expansion are not being overcome by investing in other household members enterprises and particularly those of husbands. Moreover, of the 18 married households interviewed, only 7 (39%) had husbands engaged in business, while 8 (44%) were employed and 3 (17%) were farmers.

Second, it is important to understand responsibilities for household expenditure and the uses to which women put their own incomes in the context of married households. First, it is generally the husband's responsibility to provide for the household. While women's contributions are appreciated it appears that they have the freedom to use the earnings as they wish. A male informant indicated that if a wife has money *"it is up to the man not to tamper with it"* further noting that she can use the money in the house if she wishes and if she has more then they can discuss how to use it. Most women were motivated to take a loan and engage in business in order to gain an income stream which they themselves could control. Most have the following priorities for the use of the income:

- providing relish in the household, especially during the middle of the month when the husband may have difficulty providing funds from his salary
- being able to buy small items such as exercise books for children at school
- having funds available to attend to minor illnesses for self and children
- being able to buy clothes for self and children
- being able to send money home to parents
- a further reason women require access to their own income is to support their children by previous marriages (especially with clothes and education) whether the husband has died (informant 9) or she separates from him and re-marries (informant 16 and 21) or to support her own relatives who may be orphaned and live with her (informant 5).

As informant 11 explained the division of responsibilities:

"It all depends on who has the money at that particular time although the responsibility is for both of us. For instance, if I have little money I buy clothes for the males only and next time I buy for the females. Now with food if I have money I can offer to buy everything or he can do so or I can buy food for breakfast he buys relish for lunch and supper. But most of the time its my husband who pays the greater part. I am just like a backing vocal."

For most women, it is usually the husband who contributes the working capital for the woman's business in order to ease the strain on his salary during the month and enable his income to generate more income. It is then usually the husband who is the source of new working capital when the working capital is finished.

The contribution a woman is able to make to the household may be appreciated by her husband as well as enabling her to feel she is in greater control:

> *Informant 17(talking about the post-exit situation)*: *"he is happy (in contrast to*

the period when she was taking loans) and can ask if she needs him to buy a bag off flour at the month end for the business. He knows that mid month he can leave the house without anything and yet they will have relish so he says thanks that the business is performing well and for assisting him"

Positive impacts on financial relations with husbands were reported in the first round of interviews. At that time two reported that since they had taken the loans their husband had now begun to contribute more willingly to the household budget:

Informant 6: "in the past when I asked him for money, he would refuse me even if he had the money. Nowadays he also contributes more freely and willingly."

Informant 18: "sometimes he adds more than before…to reduce problems around the house and so the business shouldn't collapse…the money he has he just gives it to me to use."

And in a similar vein:

Informant 5: "I can actually get some money and lend my husband or sometimes just give him while in the past I would always be the one asking for money and he would sometimes shout at me."

In one case (see below informant 18) a husband reduced his contribution to the household budget, but that there might be increased contributions is in contrast to instances that this researcher has encountered in Kenya where women reported that as they brought income into the household so their husbands would reduce their contribution. These women were not able to explain why their husbands were doing this. A very tentative explanation may relate to the underlying matrilineal systems. Peters argues that matrilineal systems have endured despite onslaughts from missionaries, colonial policies and the privileging of men in post-colonial agricultural development policies. She comments on the way in which 'good' and 'bad' husbands behave financially: "A 'good' husband divides the money he earns with his wife whereas a 'bad' one uses most for his own purposes forcing his wife to either beg her husband for help or fend for herself. Both spouses usually keep control over whatever monies they earn ...but a good marriage is marked by the reciprocal knowledge and sharing of each other's income and by a minimum of conflict over the resources directed by each spouse to his/her respective matrilineal group"(Peters 1997, p202).

However, Chipande (quoted in (Davison 1993)) partly explains high levels of female headed-households in Malawi as a result of matrilineality suggesting this contributes to "fragile marriages". Davison argues that in the past this has meant that men have been less willing to invest in household (*banja*) production in which they felt they had little security and instead were likely to migrate to find employment, eg to the South African mines. Given the greater economic difficulties that have emerged in the 1990s and the reduced opportunities that men have for migrant and wage labour their welfare is more directly tied to household units than in the past. Along side this urbanisation reduces the relative influence of matrilineal male kin. These factors may then combine to make households units more important to men so influencing their concern to retain their relative position within the household. When women demonstrate that they are capable of doing business and bringing money into the household, this threatens their image as having responsibility for providing for the family and as Mr Maliro, a sociologist at Bunda College commented, the husband would not want to be told "I am the one who feeds you" with potential consequences for the marriage to break up.

The concern of women to use their income to support their own relatives was an issue on which we probed further. Given constraints on the husband's income, support to a wife's family is an obligation that her husband may not consider important. Indeed informant 4 reported most clearly the fact that the income was for her alone to use and not even to contribute to the household and that she would have to undertake *ganyu* (casual labour) in order to repay should she have a problem. She further reported the need to send money to her mother *"I could not rely on my husband to assist my mother because nowadays everyone helps her own relatives"*.

> *Informant 18* reported that when she is running the business her husband reduces his contribution and used the money to assist his parents. When she asked him about assisting her parents he said he would assist, but never did.

Given the matrilineal system in central and southern Malawi, women have strong relationships with their own families. Women explained the need to contribute to their parents as a matter of respect to them, but also because they might have no other source of support. One explained that parents also see their children living in town as having money and can complain if they do not see some benefit. Informant 18 explained that the spirits of the ancestors are listening when parents complain and they will hinder you by sending problems and you will not be successful.

One of the issues that concern women is the building of a house and since the dry season (during which building is usually undertaken) was starting as we undertook the final round of interviews, many women were discussing their desire to build at home. In central Malawi the matrilineal system combines with both uxorilocal residence patterns (Lomwe and Yao) and patrilocal residence patterns (Achewa and Ngoni). For urban-based families who are renting accommodation the longer term question of where in the rural area to build a home is not straight forward. In an urban setting husbands from matrilineal systems with uxorilocal residence patterns avoid having to live at their in-laws home, but their long term security requires that they build at their in-laws which their wives are usually keen to do. Men from matrilineal systems with patrilocal residence patterns (*chitengwa*) face an added dilemma. While they may wish to build at their own home, the widespread (though illegal) practice of in-laws grabbing property on the death of the husband means that the wife would in all likelihood be chased away should he die. One informant (17) had specifically rejoined the programme to take a loan to build at home as she felt her husband was reluctant to do this, although they had discussed the matter and she had suggested they could build at his home if he wished. Informant 4 had sent her mother money to build and also had the intention of building at home and complained that her husband was delaying doing this. As informant 17 commented:

> *"if a wife is weak she will be staying without cultivating at home or building there"*.

For a woman to retain her relationship with her own family can also be seen as her investment in a safety net in the event that her marriage or circumstances face problems. If either her husband dies or he sends her away, or if she becomes sick, then if she has adequately maintained her relationship with her home then she can more easily go there.

Given these aspects of intra-household relations, that women are taking and using the loan themselves and that their objectives for income are to provide relish and some additional funds for clothes, sending to parents and so on, we can better understand why women are likely to leave the programme in the face of the experiences they have had of doing business which were discussed above.

First, in the event of problems in repayment women can first reduce their contribution to household expenditure and second request funds from their husbands. However, encountering problems in repayment and having to request funds from the husband is not what she intended. While it appeared that many husbands were co-operative in contributing to repayments there were clearly cases where this either provoked a response from the husband or the informant felt that she was making too many claims:

> *Informant 22* explained that she used to quarrel with the husband because she had to ask for assistance (in repaying the loan) and he got tired of it…. She felt that she had "ventured too far" into her husband's salary and he told her to repay him with the savings she had in the group. Now he is happy (she has left the VB) and says that his friends say his wife and kids are dressing well "but I don't tell them it is from your income … but thanks that you are making me not to feel shy in the presence of my friends."
>
> *Informant 26*: her husband had commented on the change in diet since she left the bank and expressed happiness that it was better. She thinks that he might have been relieved as sometimes he would assist with repayments and although he did not say so he might have felt this in his heart.
>
> *Informant 5* had lost all her capital by week 7 of cycle 6 due to trying business of mangoes and fish. Her husband made repayments up to week 15 but for the last week she had to borrow against a radio. Then she dropped out and withdrew all her savings giving the balance after retrieving the radio to her husband as he had paid more than that amount in repayments. …she was not happy about him paying for her but she couldn't borrow from elsewhere as it could reduce the respect she had from other people. She later borrowed MK1000 as start up capital from her sister and went into the flour business, she didn't want to ask from her husband as …he can "talk a lot at her" and she doesn't like it.

> *Informant 24* explained how before she joined the programme her husband would give her capital with which to re-start her business but that since she joined the bank he had converted these grants to loans and she was now expected to pay him back.

Women explained how asking for money from husbands was in any case problematic and implied their resentment at the power that he holds in being able to say that he has no money, even if he has. As informant 21 put it about asking her husband for repayments it gave her a "pain in the heart and I didn't feel well, especially since he can say that he doesn't have any money".

In contrast a number of women commented on the freedom to use their earnings from their business as they wished after they had left Finca. See for example the extended quotes in boxes 1-3 from informants 11, 17, 20 which refer to the ability to use whatever money she has for whatever purpose she likes without worrying about repayment.

This therefore highlights a situation in which, the objective of a married woman in undertaking business is to supplement household income. Where husband's are unco-operative and drunkards (informants 12 and 26) this is a greater need. However their needs are for a small amount of income - maybe MK200-300 per day - that can buy relish (which can be purchased for about MK100 per day) and cater for other small expenditures. This she can in fact make by investing MK500-1000 in a small business eg of firewood, *mandazi*, flour etc. When she does this she has the freedom to use the income as she wishes and is not tied to doing the business everyday in order to make repayments. If a need arises to use this working capital to respond to a shock such as an illness or a funeral then she can make that decision freely without worrying unduly about the consequences at the next VB meeting.

In this social context women have sufficient autonomy in the social structure to be able to utilise the loan to generate income that they can also control. However this autonomy of control and use, in turn means that women's claims on household income that they do not control have to be carefully negotiated with their husbands. So in turn creating constraints on their ability to repay loans from other household income streams even if the income may have benefited the household more broadly. This in turn means that their ability to successfully use the loans in business themselves is more important than in a context where the loan may be invested in activities controlled by a husband and who then is seen as responsible for making repayments. This is illustrated well by the case of the woman who did hand over her loan to her husband:

Informant 14: "he really works hard to get the money because he is the one who came up with the idea in the first place [ie of her joining Fnca]. If it was me he would have been shouting at me, but since its him he pays back, sometimes I don't even have to ask for the money he just gives it to me and I keep to make the payments."

Further gendered intra-household constraints to women in operating businesses were concerns about the potential threat to a husband's authority that might arise out of a woman having an independent income. Informant 6 who, on leaving the programme gave her savings to her husband remarked that, apart from the fact that he had repaid the previous loan " he is the one who is supposed to have a big business and all the household responsibilities". She felt that if her business was small she could tell him that she can't assist in running the household. While this case refers to a situation where the woman does not wish to be told to contribute to the household a further informant told us of an earlier situation when she was first married where her husband told her to stop selling *kaunjika* and she believes he was jealous of the income she was making at the time. This type of concern may also suggest an explanation for the age profile of women members of Finca. In our sample the average age is 36 **(cross check survey - no data in baseline report).** Constraints to younger women entering the programme are related not simply to the likelihood that they have young families who constrain their movement and ability to take up business, but also the concerns young husbands have that their wives through gaining an independent income may undermine their authority in the household. Older women by contrast, once they have had some children are seen to have demonstrated their commitment to the household and husbands are less threatened by their greater autonomy - rather they are grateful for the contribution to household expenditure.

Female headed households

The category of female headed households comprises widows and separated women. In this case we have included some wives of polygamous husbands who, while they say they are still married, receive little or no support to the family of the first wife.

First, it is notable also that the 3 largest businesses belonged to two widows (informants 1,7) and a wife whose husband had gone to live elsewhere (informant 11). The implication here is that their reliance on these businesses has forced them to stick with the business and ensure its survival. In all of these cases the informant reported some growth in the business over the last year although only one was still in the programme (informant 7) and another blamed participation in the loan programme for setting back her business (informant 11).

While it is difficult from the small sample here to draw robust conclusions, the implication is that for poorer widows in particular the programme is seen as extremely important. This is because, in the absence of a husband who can contribute restart capital, the VB represents a reliable source of capital to restart and/or develop the business, and it is likely that for these widows business is their main source of income. This was the case for informants 7 and 8 in our sample.

For two of the better off widows in our sample (informants 2 and 3) it was rental income from urban houses which their employed husbands had left them when they died, that represented their major source of income. But as Orr indicates (Orr and Makawa 2000), many women in female headed households often feel 'pushed' into business as the only option open them through which to generate income. This appeared to be the case for informants 2 and 10 in our sample. Informant 2 felt the need to undertake the business to enable her to have an income when the rent money had been used but appeared rather to be using that income to repay loans on a frequent basis.

4 Social impact

4.1 Cognitive impact

During the semi-structured interviews we asked informants about how their skills and knowledge had changed as a result of their participation in the VB programme.

The most common and unprompted response (9 cases) to this very open-ended question was that of having learnt how to save. This has been discussed above, so we add here only that this ability to save was often also linked to a sense of being able to start planning for the future (an element of perceptual impact) in some way as this saving had the potential of enabling future plans to take place:

> *"and saving in the bank makes you have plans since you know that you have money somewhere" (informant 3)*
> "*saving makes me think of the future" informant 24*.

In relation to business the most frequent responses involved having learnt:

- Not to do the same business as others in the VB and so be competing for customers in the same area
- From business failures about the seasonal nature of business opportunities
- The necessity of looking for markets and turning over stock quickly and that it may be necessary to reduce prices
- How to calculate prices for buying and selling in order to make profit
- That money should not be spent "anyhow"
- That it is necessary to save in order to buy new stock
- That it is necessary to keep profits apart from saving for new stock
- That it is necessary to be smart, cheerful and clean when conducting business in order to attract customers
- That it is possible to attract customers by selling on credit
- That not all of the loan should be invested (in order to keep some for necessary re-starts of the business)
- That it is necessary to be strong minded and hard working to achieve your goal
- How to bank money
- How to keep other people's money in the house without touching it (as she was the Treasurer and someone may have brought their payment late)

Some of this knowledge was learnt the hard way - from experience, especially about issues of seasonality, finding markets and calculating prices. Other aspects were much more clearly the result of teaching from the Finca COs. While therefore a number of respondents reported that they had learnt the need of keeping capital aside from profits, it was clearly the case that many had been unable to practice this understanding as they had no ongoing business activity.

A further group of informants said that they had learnt nothing from the programme, that they had known how to undertake their businesses before and the experience had added nothing.

4.2 Perceptual impact

These questions attempted to find out whether informants felt that the programme had in any way improved their self-confidence, self-esteem and self-reliance. In translation into Chichewa these terms tend to overlap in their meanings (*kudzikhulupirira*, *kudzidalira and kuziona* respectively) and we have not therefore sought to overly distinguish between the responses to them given by respondents.

In the main those who answered that their self-confidence had improved (9 respondents) linked it directly to financial status: " money is an answer to my problems" (informant 21). This in part meant that the simple fact of having access to a loan meant greater assurance of being able to run the business. For a widow where a husband is not a potential source of restart capital this can be particularly important as for informant 8 so giving her the confidence to feel that she can provide for her family. Alternatively it is having control over an income stream which can be used to to assist in the household, send to parents, buy clothes and so on.

However, for informant 6 this seemed in turn to be the cause of frustration. She had felt that she would not succeed with her *kaunjika* business so had given the stock to her husband to sell in order that he would share the repayments with her. She felt that while having the business had built her confidence it was hard to "practice" this confidence because she was again dependent on her husband and could not even carry on saving.

On the other hand 12 respondents (47%) stated very specifically that their sense of self-confidence had not changed and that they had felt equally confident before in running their businesses.

That so many reported that they were fully confident in their business activities and gained little in the way of new skills and knowledge from the programme presents some dilemmas of interpretation as about half said this while having no business at all at the time of the interview! This finding would appear to further underline the argument that women who are joining the programme tend to lack the business skills and experience required to operate bigger and more stable businesses and that loan capital supplied in the product that is currently available does not enable them sufficient space to experiment.

The training on business from Finca is confined to COs giving generalised lectures at VB meetings. In our attendance at group meetings in April 2000, only during one of the five meetings were such messages extended by the CO. At other meetings the CO's time was taken up in ensuring that repayments had been made and the entries made correctly.

One major instance of severely negative impact on self-esteem must be reported. Informant 15 who had experienced the robbery had spent a weekend in jail while her husband raised the money to make good the loss and get her out. As a result of this incident she said that people used to talk about her and laugh and say that she had been in prison with men and used by them and burnt in her private parts. It was this humiliation that led her to consider poisoning herself, a catastrophic loss of self-esteem. At the time of the interview she presented a more philosophical position to us saying that her problems have made her strong and she realises that life is not smooth.

4.3 Relational impact

Relations with husbands

Improvements in relations with husbands also involved non-financial aspects such as reduced quarrelling and greater understanding that the woman was also trying to assist the household:

> *Informant 6: remarking on her busy-ness "I don't even have time to argue with my husband".*
>
> *Informant 9: "even if I do business, still he understands because he knows I am trying hard to bring in income. Even when we are taking another loan (ie travelling to town) I will tell him."*

However relationships with husbands were also a key potential negative factor according to one group discussion and they felt this contributed to women's poor performance with loans claiming that men would take the loans and drink them or borrow from their wives and not payback.

As we have indicated above, there were two cases of exits who were encouraged to drop out by their husbands. Informant 21 who had borrowed too much from her husband and informant 25 who did not like the amount of time his wife was spending on the business. Further cases where it was widely commented that husbands would encourage their wives to leave the programme were where they had to make contributions towards the repayments of other group members.

Relations with friends and group dynamics

On the positive side, some of the social aspects of the groups were seen as positive and this was particularly the case in the first round of interviews in April 2000 when the banks were in the main still less than a year old. This resulted in a range of social benefits from being able to encourage each other, to visiting and chatting, learning to associate with others. Two informants put it as strongly as referring to a family (10&18) with one saying:

"We work as a family, get to know each other better, interact and agree to do certain things together."

Others reported:

- having learnt how to associate with friends and stay with people in the group
- learnt not to talk too much
- leant that those who do not talk much also have their strengths

These comments imply a basic lack of experience among women of associating in groups. We asked whether women were members of other types of savings and credit groups such as rotating savings and credit associations, known locally as *cheperengania*. For many we even had to explain what these were and only 3 (?) had actually ever been in such a group.

Group based activity is not common in Malawi and Jean Davison (Davison 1993) explains this as a function of the matrilineal system. In comparison to patrilineal systems where women often co-operate in order to undertake agricultural tasks, she argues that women in matrilineal systems retain greater economic power and control in household production systems by working on the basis of the household unit rather than collaborating with matrikin. So even in urban areas women have few opportunities to associate with other women.

However, it is unsurprising that the system of having to pay for others and chase people as an officer in the group creates discord and disaffection and that in the final round of interviews these benefits were hardly mentioned. For the VB that collapsed some of the members still felt enmity towards others who had run away with the money. Though as one informant amusingly put it, there wasn't a problem at the moment because the defaulters had not yet returned to the village!

One informant who had been an officer resigned from the group because the follow up and hassle involved took too much of her time and when she was almost assaulted with a panga by the husband of a member when they went to the house to get payment, she decided this was not worth the trouble.

While a number of cases of troublesome group dynamics had led to disaffection, three women had either joined or were interested to join other groups because they did not feel that the plans they had had yet been fulfilled.

5 Impact improvement

The VB loan product is very rigid and adjustments to its design are now being considered. These findings suggest a number of areas for consideration of changes to the design and delivery of the product on offer:

1. Targeting: the evidence of this sample suggests that women entering the VBs have limited experience of business. I am not clear what mechanisms were used to recruit members in new areas, but the implication is that the programme should consider ways of recruiting members who are more experienced in business. This problem is to an extent getting worse in areas such as Area 23 and 49 where ongoing VBs are replacing members with even less experience of business – housewives, or those with more stable income streams, such as teachers, who existing members can be more confident will repay. This may involve focusing on markets as indeed Finca has been doing in trying to form men's groups.

2. Making loans more flexible needs to be considered from a number of dimensions:

- the evidence here tends to suggests that many women exit after their 3rd or 4th loan. Some members sensibly carried on taking the same size loan which they knew they could manage having gone higher and experienced problems. Some are forced to drop out in order to get their savings to repay debts they have created in trying to manage too big a loan. It is therefore necessary to create an environment in which members are encouraged to take loans that they can manage rather than what is purely determined by their savings plus the base loan (which has now increased). We were surprised to hear one of the members who had been more successful say that she was just waiting to be told by the CO what her next loan would be rather than knowing what she wanted to take. This may involve consideration of the incentive structure for COs but we did not have time to investigate this aspect.
- While the base loan has recently increased and VBs with good performance can earn stars which enable them to obtain higher loans, this could create similar problems for new members in groups who may again be encouraged to take the maximum rather than starting small and finding out what they can manage. In order to stay open to the poorest women it is necessary to ensure very small loans remain available not just in policy but in practice.
- The 16 week loan cycle in the context of Malawi has some advantages and some disadvantages. Given the seasonality of business opportunities and the start-stop nature of women's businesses, the ability to replenish diminished working capital on a regular basis is a distinct advantage. On the other hand, by comparison to loan products in other countries for which the loan repayments are spread over 50 weeks, this product requires that borrowers repay 1/16th of their capital compared to 1/50th of their capital ie that they repay the loan around 3 times faster. The evidence above has described the nature of borrowers businesses and the constraints they experience in conducting them despite what appear to be high rates of return. This context and the fact that, compared to loan programmes in other countries where the market may indeed be more developed and women may

have more experience in it, explains why repayment instalments at this level create additional pressure and can result in them leaving.
- The seasonality of business suggests the need for borrowers to be able to borrow when opportunities arise. Currently the inflexible timing of loan cycles means that borrowers are tied to taking loans with other members and when the next cycle comes around hence their access to capital may be completely mis-timed in relation to the improvement in business opportunities.

As a result of these considerations Finca should consider radical alterations to the VB methodology. This could include a longer term product and the ability of individuals to take loans at different times.

3. Savings

This is one of the most appreciated parts of the programme. The discipline of the savings programme is an important element for women for whom savings has not been a consideration in the past. The sense of being able to plan for the future was strong and a number of women felt they had not achieved their goals in saving when they left the programme. Given the fact that women commented on missing the savings programmes after exit, and the problem of using their savings for purposes that they had not intended when receiving them at exit, (also a case where they had then had to find other places to keep them with consequent risks), Finca should consider the following:

- a savings product de-linked from loans which enabled people to save continually and only to take loans when they feel it necessary. While there is an idea of 'resting' for a cycle the emphasis is on loan taking and saving as the exception rather than the reverse. Such a product should not be related to group savings as a loan guarantee.
- Finca could consider allowing members who have exited the group the option of leaving their savings where they are (and they would again not be part of the group liability mechanism either), rather than having to take them at that time this would help avoid the current situation that when members who have exited get their savings they might not be ready to know what to do with them. Finca could offer them advise before exit also.

4. Business development:

We have pointed out above the constraints and hazards that women with limited skills and experience of business are facing. This risks being exacerbated by messages from Finca COs to diversify business. One way in which Finca might be able to improve messages to members is in the types of hazards they face and how to deal with them. For example, how to undertake enough research about a new business into which they want to move and understand the hazards they might face in doing it.

Informants reported how group dynamics affected their decisions about changing businesses.   From some and especially in the first round it appeared that women often learnt from others in the group about other businesses and they encouraged each other to change. However this was not necessarily a good thing because there is a strong copying factor involved and often this appeared to be happening on the basis of very little information about how to operate the business in question. Further, we heard from other women that they preferred to find out about businesses from friends who are not members of the programme because they felt that women in the group might want them to fail and give them bad advice rather that the real costs and methods of operating that particular business.

Bibliography

Chen, M. (1997). A Guide for Assessing the Impact of Microenterprise Services at the Individual Level. mimeo, USAID AIMS/Management Systems International.

Davison, J. (1993). “Tenacious Women: Clinging to *Banja* Household Production in the Face of Changing Gender Relations in Malawi.” Journal of Southern African Studies 19(3): 405-21.

Ebony Consulting International, National Statistics Office, et al. (2001). Malawi National Gemini MSE Baseline Survey 2000. mimeo.

Mann, G. (2000). Finca Malawi Impact Assessment: Baseline Survey Central Region. Working Paper 2, University of Bath/Kadale Consultants.

Orr, A. and S. Orr (2001). Changing Livelihoods in Malawi's Rural South: A synthesis and interpretation. Monograph, Kadale Consultants.

Orr, S. and J. Makawa (2000). Micro Entrepreneurship in Malawi. Blantyre, Kadale Consultants.

Peters, P. E. (1997). “Against the Odds: Matriliny, Land and Gender in the Shire Highlands of Malawi.” Critique of Anthropology 17: 189-210.

Annex 1 : Background to Village Banks

The VBs chosen through the ranking exercise were as follows:

Table 1: Basic data on selected village banks, April 2000

VB	Location	Type of location	Loan cycle April 2000	M'ship April 2000	Total no. m'bers ever taken loans	Total drop outs to date
Apatsa	Lumbadzi	Small town – semi-urban	4	36	58	22
Samana	Mponela	Rural trading centre	Between 2&3	40	51	11
Sitimadziwa	Area 49	Low income urban	3	32	54	22
Kachere	Area 23-CCDC	Low income urban	4	30	66	36
Dandaulo	Chiseka	Rural	2	26	36	10

Lumbadzi is a small town adjacent to Lilongwe International Airport and some 20km from the centre of Lilongwe. The salaried population who live locally and the influence of the airport economy makes it a vibrant economy. Apatsa VB was ranked as second out of the twenty VBs that had been randomly selected for the main questionnaire survey and is generally regarded by Finca as a very strong VB. Despite its apparent strength it is notable that in its 4th and most recent cycle it had 15 new members who were taking a loan for the first time.

Mponela is beyond Lumbadzi and some 60km to the north of Lilongwe. It is a rural trading centre with market stalls that trade daily.

Area 49 is a middle class residential area some 10km from the centre of Lilongwe. Women in this area complained that it was difficult to undertake small businesses in the area because people were better off and would buy larger quantities and buy in town. Many of the women in this group had employed husbands and lived in permanent residential homes.

Area 23 is a more mixed area combining poor and middle class residential housing. It is adjacent to Kawale market and this is an area where there are informal sector artisans and businesses at work.

Chiseka is on the south side of the road to Bunda College, some 10km from old Lilongwe. It is rural with people living on their own farms. There is a small trading centre and an active trade in agricultural products and firewood along this road towards Lilongwe.

Table 2 gives the breakdown of current membership across well-being ranks (see next section for discussion):

Table 2: VB membership by well-being rank

	Better-off	Middle	Worse-off	Total
Apatsa	20	13	8	41
Samana	11	22	15	37
Sitimadziwa	13	10	15	38
Kachere	9	12	9	30
Dandaulo	13	10	3	26

Apatsa tends to have a higher prevalence of better off members, while in Samana middle ranked members predominate. In Sitimadziwa and Kachere the members are fairly evenly distributed while there is a skewed distribution in Dandaulo with a very low representation of worse off members. However, the categories given by each group did not mean the same in each place. As Dandaulo was a rural and poorer setting the "better-off" category in this instance was poorer than the better off categories elsewhere, this would tend to explain why fewer of their members were categorised in the worse-off category.

Overall for these VBs since they began a total of 265 people have taken at least one loan and a total of 101 have dropped out giving a drop out rate of 38% to April 2000.