

**INFLUENCE OF VILLAGE SAVINGS AND LOANS SCHEMES ON SMALL
AND MEDIUM ENTERPRISES OUTCOMES IN T/A MASUMBANKHUNDA,
LILONGWE DISTRICT**

MASTER OF ARTS (DEVELOPMENT STUDIES) THESIS

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UNIVERSITY OF MALAWI

AUGUST, 2023



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Submitted to the Faculty of Social Sciences in partial fulfilment for the award
of a Degree of Master of Arts in Development Studies

University of Malawi

August, 2023

DECLARATION

I solemnly declare that this work is a result of my own effort and has never been presented to any university or institution of higher learning for academic purposes. All information from other sources has been duly acknowledged.

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Signature

Date

CERTIFICATE OF APPROVAL

I, the undersigned, acknowledge that the thesis represents the student's effort and is submitted with my approval.

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Main Supervisor

DEDICATION

I dedicate this thesis to my parents Thomas and Ruth Gunde whose words of encouragement and prayers have brought me this far. I hope that I have made you proud. Thank you so much for your endless support.

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ABSTRACT

The study analyzed the influence of Village Savings and Loans Associations (VSLAS) on Small and Medium Enterprises (SMEs) outcomes in Malawi, using a case study of the Malingunde area in TA Masumbankhunda, Lilongwe District. The study had three main specific objectives: to identify components of SMEs that are influenced by VSLAs in T/A Masumbankhunda, Lilongwe District; to explain the influence of VSLAs savings on SMEs outcomes in T/A Masumbankhunda, Lilongwe District; and to examine the impact of VSLAs loans on SMEs outcomes in T/A Masumbankhunda, Lilongwe District. Multistage cluster sampling technique was employed in selecting 102 respondents. Structured questionnaire was used to collect data. Descriptive and inferential statistics involved simple percentage, paired independent T-test and logit regression were applied analysis using Statistical Package for Social Scientist (SPSS) as a tool. Focus Group Discussions and key informant interviews were employed to collect qualitative data. Thematic analysis involved formulating codes to determine the presence and meaning of certain themes and concepts. Results showed that three SMEs outcomes were found to be statistically significant, namely: market value ($p = .003$); business network ($p = .009$) and monthly cash flow ($p = .045$). Further analysis to determine the significance of each of the ten VSLAS independent variables used in the regression model, results indicated that loan knowledge ($p = .028$); loan amount ($p = .011$); loan frequency ($p = .006$); loan repayment period ($p = .006$); loan interest rate ($p = .008$); savings amount ($p = .028$); savings frequency rate ($p = .036$) and dividend amount ($p = .002$) contributed significantly to SMEs outcome. Given these results, the study accepted the alternative hypothesis that VSLAs significantly influenced SMEs outcome. The study recommends that VSLAs should be up scaled to enhance financial inclusion and attain financial inclusion and attain SMEs outcomes.

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ABBREVIATIONS AND ACRONYMS

ASCA	: Accumulating Savings and Credit Association
GoM	: Government of Malawi
GSL	: Group Savings and Loans
MFI	: Micro Finance Institution
NGO	: Non-Governmental Organization
COMSIP	: Community Savings and Investment Promotion
SME	: Small and Medium Enterprises
SPSS	: Statistical Package for Social Scientists
VSLA	: Village Savings and Loans Association
ECRP	: Enhancing Community Resilience Program
SAP	: Structural Adjustment Program
ROSCA	: Rotating Savings and Credit Association
IGA	: Income Generating Activities
FDG	: Focus Group Discussion
CDF	: Cumulative Density Function
ODK	: Open Data Kit
MSME	: Micro Small and Medium Enterprises
T/A	: Traditional Authority
CARE	: Cooperative for Assistance and Relief Everywhere

1 CHAPTER ONE

INTRODUCTION

Even though Normah (2007) and Obokoh (2008), observed that Small and Medium Enterprises (SMEs) play a critical role in sustainable economic development of many nations, there has been a myriad of conflicting literature on the nexus between Village Savings and Loans Associations (VSLAs) and SMEs outcomes at global, regional, and national levels. The study adopted the definition of VSLA by Okello and Mwesigwa (2022) in which VSLA was defined as a time-bound Accumulating Savings and Credit Association (ASCA) where between 15 and 30 self-selected people save regularly and borrow from the group fund. Cooperative for Assistance and Relief Everywhere (2023) further defined VSLA as self-managed groups of 15-25 individual members from within a community who meet regularly to save their money in a safe space, access small loans and obtain emergency insurance. This is partially due to vast confusion of terminology on one hand and application of the same on the other. A clear understanding of these terminologies and appropriate application is therefore prerequisite to the determination of their relationship.

In addition, the study adopted the definition by Ndala (2019) which limits the definition of SMEs to number of employees, annual turnover and maximum assets as follows:

Table 1: Meaning of SME

Enterprise size	No. of employees	Annual turnover (MK)	Maximum assets (MK)
Micro	1 – 4	Up to 5,000,000.00	1,000,000.00
Small	5 – 20	5,000,001.00– 50,000,000.00	20,000,000.00
Medium	21 – 99	50,000,001.00 500,000,000.00	– 250,000,000.00

1.1 Background of the study

Poverty is one of the fundamental problems impacting many people in developing countries including Malawi. It is widely accepted that lack of access to financial capital for SMEs is among main determinants of poverty among households with low income. One strategy adopted to extend financial inclusion to the poor in such countries has been to promote access to credit facilities by establishing non-formal microfinance institutions.

According to Brannen (2010), microfinance is the provision of a broad range of financial services such as savings, loans and insurance to low-income clients who generally lacks more formal banking services. What makes microfinance institutions favorable to the poor are factors such as simplified delivery mechanism, lighter forms of collateral (or no collateral), lower interest rates, joint liability, and friendly environment among others. Although MFIs have provided financial services to millions of people over the last few decades, access in rural areas remains a major challenge (Brannen and Sheehan-Connor, 2016).

Village savings and loans (VSLs) is part of the broader alternative micro finance services or products whose purpose is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services (IRC, 2012). Developed by CARE International in Niger 1991, the main aim of VSLs has been to encourage savings and investments among low-income community members. VSLAs are built entirely on member savings, penalties, and interest from loans. Initially, these groups receive no direct capital investment from the facilitating organizations, and they are flexible in operation. Like other

microfinance institutions, village savings and loans combine multiple characteristics of formal financial markets: savings accounts, access to loans, and insurance.

In VSLA, savings is done through the purchase of one to five shares. The value of share is set by the group at a level that allows the poorest members to buy at least one share at every meeting (IRC, 2012). Members do not have to save in equal amounts; they can vary at each meeting. Additionally, by saving more frequently in very small amounts, they can build their savings more easily, contributing to improving the security of household. The Savings are deposited to a loan fund from which members can borrow, repaying with an added service charge (IRC, 2012). Loans are for a maximum period of three months and maybe repaid in flexible installments at a monthly service charge determined by the group. The group create a social fund through an additional contribution of equal size. The social fund, kept separate from the loan fund, provides small grants for emergency assistance such as funeral expense (IRC, 2012).

As emphasized by Jackson (2016), member savings, interests from loans, and penalties are what build VSLAs. The activities of the VSLA run in cycles of about one year each, after which the accumulated savings and profits are shared among the members according to the amount they have saved (Bantwana, 2018). According to the Digital Sub-wallet baseline report (2018), the VSL model has spread to at least 61 countries in Africa, Asia, and Latin America, with over 6 million active participants worldwide. In Malawi, there are several organizations implementing and supporting VSL schemes. The two largest programmes using the VSL methodology are the World Bank's Community Savings and Investment Promotion (COMSIP) programme and the Enhancing Community Resilience Programme (ECRP), which is jointly implemented by six NGOs (Van de Meeredonk, et.al, 2016).

Over the years, a new economic culture has emerged among the VSLA members. Owing to peer pressure to save, encouragement by other group members during the meetings, training and the availability of start-up capital, most members have opened or expanded businesses (CARE VSLA report, 2014). Because of the strict VSLA procedures and the immediate and tangible results, the VSLA methodology has moved people from being idle to being very productive and busy. To secure a regular income, VSLA members are encouraged to invest in

productive assets and income generating activities to diversify their income sources (CARE VSLA report, 2014).

Village savings and loans Associations have attracted much interest because of their promise to attain outreach to very poor and rural people better than formal, centralized microfinance institutions (Anyango et al, 2006). With the target being the poor, several villages have been involved in this initiative and, one of such areas is T/A Mwasumbankhunda in Malingunde, Lilongwe. It upon the above background that this study examined the influence of VSLAs schemes on small and medium enterprises outcomes T/A Masumbankhunda, Lilongwe.

1.2 Problem statement

The problem was derived from a knowledge gap on the relationship between VSLAs and SMEs identified in literature at global, regional, national, and local level. To identify this gap, two variables inherent in VSLAs schemes were isolated, namely: savings and loans. At each level therefore, studies were subject to whether the two variables were adequately addressed or not. In view of the foregoing, a gap was adjudged to have been identified if any of the variables was excluded and or not adequately addressed in the analysis.

At global level, Layyinaturrobariyah, *et al.* (2020) determined the effect of microcredit and the outcome of Micro, Small and Medium Enterprises (MSMEs) on poverty alleviation in Indonesia. Although results indicated that microcredit and the outcome of MSMEs simultaneously affect the level of poverty, the study did not analyze the influence of microcredit on MSMEs outcome. Self and Turk (2018) examined the impact of VSLA on vulnerable households in Myanmar. Results depicted a significant shift away from borrowing for food consumption or healthcare, towards loans for investments in livelihoods.

Similarly, there are several studies on the nexus between VSLA and SMEs in Africa. Three notable studies: Oboko et. al (2016) and Sibomama (2016) focused on three main VSLA services namely, microcredit, micro savings, and micro insurance. Whilst Abiola (2011), Abiola (2012) and Machingammbi (2014) focused on microcredit, Ahiabor (2014) included micro savings.

Karlan (2017) using a clustered randomized evaluation spanning three African countries namely: Ghana, Malawi, and Uganda, found that the promotion of VSLA leads to an

improvement in household business outcomes. Results showed a positive and significant intention-to-treat effects on several outcomes. The effects showed among other things, an increase in credit and savings obtained but didn't indicate the impact on SMES outcomes. Specifically, Ksoll (2016) using a cluster randomized trial, investigated the impact of VSLA in northern Malawi. Results showed a positive and significant intention-to-treat effects on several outcomes. The effects showed among other things, an increase in credit and savings obtained but didn't indicate the impact on SMES outcomes. In addition, the study did not look at other services such as micro savings.

At local level, there has been some studies that looked at the influence of SMEs outcomes and MFIs in general and VSLAs schemes. For example, Chetama *et al.* (2016) analyzed the role of microfinance on the growth of small-scale agribusinesses in Lilongwe District. The study focused on the loan aspect of MFIs thereby ignoring savings and insurance dimension of the same. Results show no significant role of MFIs on growth of small-scale agribusiness entrepreneur. The study however did not specifically analyze the nexus of VSLA and SMEs outcomes. The purpose of VSLA is not just enhancing saving and loans, but also enhance the attainment of SMEs outcomes. So many VSLAs have been established in the study area but it is not known whether VSLAs have an influence on SMEs outcomes or not, hence the need for the study. In the absence of the results, organizations may continue establishing VSLAs without attaining the purpose of the same. This may be wastage of resources, time, and effort.

The study will contribute to the body of knowledge by providing empirical information on the significance and impact of Savings and Loans on SMEs. The study will also provide policy makers with substantive possible alternative policy interventions which might help SMEs in Malawi to achieve growth objectives. Furthermore, the study will also be used to aid decision making with regards to the concept of village savings and loan association on business growth.

1.3 Objectives of the study

1.3.1 Main objective

To analyse the influence of VSLAs on SMEs outcomes in T/A Masumbankhunda, Lilongwe District.

1.3.2 Specific objectives

To address the three inherent variables in VSLAs schemes, the study specifically sought to:

- a. Identify components of SMEs which are influenced by VSLAs in T/A Masumbankhunda, Lilongwe District.
- b. Assess the influence of VSLAs savings on SMEs outcomes in T/A Masumbankhunda, Lilongwe District.
- c. Explain the influence of VSLAs loans on SMEs outcomes in T/A Masumbankhunda, Lilongwe District.

1.4 Hypothesis

The study hypothesized that:

- a. VSLAs does not significantly influence SMEs components
- b. VSLAs savings does not influence SMEs outcomes
- c. VSLAs loans does not have impact on SMEs outcomes

1.5 Research question

To make a proper analysis, the study converted specific objectives into research questions as follows:

- a. Do VSLA significantly influence SMEs outcomes in T/A Masumbankhunda, Lilongwe District?
- b. Is there any statistically significant relationship between VSLAs savings and SMEs outcomes in T/A Masumbankhunda, Lilongwe District?
- c. Is there any statistically significant relationship between VSLAs loans and SMEs outcomes in T/A Masumbankhunda, Lilongwe District?

1.6 Research justification and significance

The study was justified based on spatial dimension. The study by Chetama et al. (2016) was conducted in Areas 23 and 25 in Lilongwe City and Lumbadzi peri-urban area. The results could not be generalized to rural areas of Lilongwe district including Malingunde hence the need to conduct research in a typical rural setting.

Furthermore, conducting rigorous analysis on the influence of VSLA on SMEs outcomes is needed both to improve the design of programs and to weed out ones that are not working. The results from this study contributes to understand the influence of VSLA on SMEs outcomes. The results of this research might be shared with the concerned local and international nongovernmental organizations and other interested parties with the aim that it will be important to provoke a discussion on whether VSLA can influence SMEs outcomes or not. Apart from these, the study aims to contribute to the body of knowledge on the village saving and loan associations. The findings of the research also serve as a reference for anyone who is interested in the field to conduct further study in the future.

1.7 Organization of the study

This study is organized in 5 chapters. Chapter 1 presents the study background, the research problem, general and specific objectives, and the justification of the study. Chapter 2 presents the theoretical review, conceptual framework, and empirical review. The chapter also links specific objectives and methodology of the study. Chapter 3 discusses research design, research site(s), study population, sampling design, target population, research instruments/tools, and data collection procedure and data analysis. Chapter 4 presents and discusses quantitative data which is complimented by qualitative data in response to objectives I, II and III. Chapter 5 draws the conclusions, recommendations from the research findings and suggests areas for further research.

2 CHAPTER TWO

LITERATURE REVIEW

This chapter is divided into three sections: theoretical review, conceptual framework, and empirical review, links specific objectives and methodology of the study.

2.1 Background and definition of operational terms

As defined by Hubka and Zaidi (2005), microfinance is a credit methodology that employs effective collateral substitutes to deliver and recover short-term, working capital loans to micro entrepreneurs. In several European countries, microfinance evolved from informal beginnings during the eighteenth and nineteenth centuries as a type of banking of the poor, compared to the commercial and private banking sector (Seibel, 2005). Microfinance services were designed to reach excluded customers, usually poorer population segments, possibly socially marginalized or geographically more isolated with the aim of helping them become economically self-sufficient (Sahoo et al, 2021). Traditionally, the poor have been considered “high risk” and have not been well served by institutions like banks, mutual funds, and credit card companies (Watkins, 2018). The poor have been denied access to savings accounts, insurance products, or credit to finance their small business enterprises. The poor are often turned away because they do not have a preexisting financial history, cannot afford traditionally high fees for banking services, have limited or no assets that might serve as collateral to secure loans, have no credit record or documentation of employment, and sometimes cannot read or write to fill out the paperwork for bank accounts or loans (Watkins, 2018).

Over time, micro-finance has emerged as a larger movement whose object is “a world in which as everyone, especially the poor and socially marginalized people and households have access to a wide range of affordable, high quality financial products and services, including not just credit but also savings, insurance, payment services, and fund transfers (Poornima, 2019). Microfinance services include microcredit, the provision of small loans

to poor clients, savings and checking accounts, micro insurance, and payment systems (Poornima, 2019).

According to Malawi Micro, Small and Medium Enterprises (MSME) Policy (2019), MSMEs are defined based on the total number of employees, total investment, and sales turnover (Fin Mark Trust, et al., 2019). Accordingly, businesses that employ at most 99 workers, generate annualized turnover of up to K500 million or with maximum assets (excluding land and building – for manufacturing enterprises) of K250 million. Businesses within the MSME sector are classified using the same set of criteria (Malawi MSME policy, 2019 in Fin Mark Trust et al., 2019). Accordingly, micro enterprises are those engaging up to four people, or employing capital under K1, 000,000.00 and a turnover of up to K5, 000, 000.00 (Malawi MSME policy, 2019 in Fin Mark Trust et al, 2019). Most micro enterprises fall under the informal sector. Small enterprises are mostly formalized activities engaging between 5 to 20 people or with capital investment of K20,000,000.00 and turnover of up to K50 million. Medium enterprises employ between 21 to 99 people or use capital investment of K250 million and a turnover of up to K500 million (Malawi MSME policy, 2019 in Fin Mark Trust et al, 2019) Employment size and annual turnover are the most important criteria. The employment criteria is the principal parameter because Malawi's economy is labor-intensive, being agro-based, with over 75 percent of the population employed in the agricultural sector (Malawi MSME policy, 2019 in Fin Mark Trust et al, 2019).

Conscious of the need to promote MSMEs in Malawi, both the Government of Malawi and the private sector have and continue to put in place initiatives, interventions, and institutions to promote these businesses. These include establishment of organizations such as the Malawi Investment and Trade Centre (MITC), the Malawi Bureau of Standards (MBS) which promotes standards and quality and implementation of Malawi Standards and the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) which promotes and regulates sustainable provision of quality technical, entrepreneurial, and vocational education and trainings and existing institutions, both state and non-state and the Malawi Confederation of Chambers of Commerce and Industry (Fin mark Trust, 2019).

MSMEs play a crucial role in economic growth and industrial development of countries including Malawi. MSMEs make important contributions in enhancing economic and social

sectors of a country through invigorating large-scale employment, investment, development of indigenous skills and technology, promoting entrepreneurship and innovativeness, enhancing exports, and building an industrial base at different scales. In addition, MSMEs are an important channel for poverty alleviation through economic empowerment and participation, particularly for women, the youth, and the marginalized sections of society. Since MSMEs in most countries, as the case is for Malawi, have not received the necessary attention to enable them to start, grow and diversify, they face a myriad of challenges. Lack of funding has been cited as the major obstacle for starting a new business. The issue of survivalist businesses is borne from adults that source small capital to set up a business as a form of survival. This somehow blurs the notion of start-up capital as it is mostly time as a resource they have, and small capital usually sourced from within a household. Over 80 percent of MSME owners start a new business using money from their own saving, salaries, selling of assets and family and friends and credit from, other channels, including Village savings and loan groups (VSLs).

2.2 Review of theory and models governing VSLAs

A critical prerequisite to linking specific objectives and methodology of the study is a comprehension of its theoretical body. This section endeavors to describe the theory that shapes this study, the Big Push theory.

According to Popov (2011), the Big Push ideas are attributed to Rosentein-Rodan (1943) and to Murphy, Shleifer, and Vishny (1989). Development efforts of the 1950s and 1960s were, among others, dominated by ideas of ‘Big Push,’ which focused on aggregate growth rate to be achieved through large doses of capital investment. The logic was seemingly flawless: savings rate is low in developing countries, so they may stay in a bad equilibrium forever unless there is a Big Push – mobilization of domestic savings. The theory calls developing countries to acquire large amount of investments in order to embark on the path for economic development. The theorist further argues that when a group of industries are planned together according to their social marginal products, the rate of growth of the economy is greater than it would have otherwise been.

Although the theory has been criticized on several grounds including its applicability and implementation, it remains relevant in developing countries, and Malawi in particular, if scaled down to community level. At community level, the theory calls for domestication of finances for investment into community level firms most which are SMEs. Finances can be mobilized through savings and loans. Unfortunately, most SMEs lack access to formal financial institutions hence the coming in of VSLA. It is against this understanding that this study adopted the 'Big Push' theory

2.2.1 Grameen model

The origins of the Grameen Bank lie in the dilemma that the young Yunus found himself facing in the mid-1970s (Hulme, 2009). Yunus found himself wondering what relevance the economic theory he taught had to the immediate needs of the thousands of hungry and deprived people he saw in rural Bangladesh (Hulme, 2009). The country was slowly recovering from a vicious war which was amplified by the famine of 1974. Yunus tried to help people by giving them charity, but he wondered whether some of his economic theory could be applied in the field. His training postulated that if people got access to credit, they could increase their profitability, or diversify their economic activities, in ways that would allow them to raise their incomes (Hulme, 2009).

Yunus began by lending an average of \$0.64 to a bamboo weaver and to 41 others in various purposes (Jamal, et al., 2012). He found that these small loans went a long way, and that virtually all who had borrowed were keen to repay their loans. Dr. "found that it was possible with this tiny amount not only to help the poor survive, but also create the spark of personal initiative and enterprise necessary to pull themselves out of poverty (Roy, 2003). Two years later, Dr. Yunus established the Grameen Bank, an institution providing small loans to the poor, especially women, in Bangladesh using innovative ways of getting around their borrowing constraints (Roy, 2003). The Grameen Bank has been hugely successful in generating sustainable livelihoods, reducing poverty, and driving development in Bangladesh and has since grown to over 1084 national branches, in over half the villages of Bangladesh.

The Grameen Bank approach to microfinance has been successfully tested over the last two decades in more than 100 countries. That experience has demonstrated it to be a robust,

flexible, and highly empowering system of doing business both with and for the poor in a sustainable way (Alam and Getubig, 2010). Many have sought to use the Grameen Bank approach as a model. They borrow from its methodology, systems, and policies while at the same time tailoring their programs to their environment. Many other models, including the VSLA are extensions of, or derived from, the Grameen Model. This can be seen in the strategies, vision, and target groups of VSLAs.

2.2.2 Village Savings and Loans Model

The success of microfinance has been widely recognized in the last couple of decades as testament that the poor are “bankable” (IRC, 2012). At the same time, the microfinance industry has grown more sophisticated and sometimes inaccessible to some of the poorest communities in rural Africa. Lack of infrastructure, combined with poor roads, low population density and high labor costs make microfinance services in Africa extremely expensive compared to Asia and Latin America (IRC, 2012). Most microfinance institutions (MFIs) do not offer saving services which are often the services in highest demand in rural Africa.

The Village Savings and Loans Association (VSLA) methodology helps to fill all these gaps. VSLA is a low-cost financial service founded on the principle of fund pooling, designed to serve the very poor whose income is irregular and high risk to MFIs (IRC, 2012). VSLAs play an important role in meeting the needs of women and men whose principal purpose for accessing finance is to help them manage household cash flow, respond to life-cycle events or invest in small income-generating activities (IRC, 2012). Moreover, VSLAs provide people, no matter how remote or poor, with access to small amounts of local capital on flexible terms and to transact such loans frequently at very low risk and negligible cost.

VSLA was first developed by CARE International in 1991 in Maradi, Niger (IRC, 2012). Designed primarily for illiterate and extremely poor rural women, the methodology has matured over the years to serve both literate and illiterate population in rural areas, market towns, peri-urban settlements, and urban slums. The primary purpose of a VSLA is to provide simple savings and loan facilities in communities without access to formal financial services.

VSLAs are small in terms of scale and scope and usually restrict membership to 50 people. Loans are typically small, averaging between \$44 and \$80, and are primarily used by

entrepreneurs and microenterprises (Roy, 2003). VSLA loans tend to be backed by group liability rather than collateral. This group lending approach creates a form of peer pressure among borrowing groups, whereby members rely on each other to repay loans to avoid losing access to additional funds (Roy, 2003). Groups meet on a regular basis to ensure appropriate use of funds and to track the performance of the businesses using these funds. In addition, by providing small loans to micro-enterprises, VSLA also offer savings programs. Bank members are usually required to save small amounts on a regular basis. Although village banks encourage voluntary savings, most also have compulsory savings requirements for members (Roy, 2003).

2.3 Micro Small and Medium Enterprises (MSMEs)

Micro, small, and medium-sized enterprises (MSMEs) play a central role in many countries' economic development. They are a major source of entrepreneurial skills, innovation, and employment account for most businesses worldwide (Pedraza, 2021). MSMEs are important contributors to job creation and global economic development, representing 90% of businesses and more than 50% of employment worldwide (Pedraza, 2021).

Different countries adopted different definition of what constitutes MSMEs. The EU defined MSMEs as any entity engaged in an economic activity, irrespective of its legal form (Pedraza, 2021). According to the EU, self-employed, family firms, partnerships, and associations regularly engaged in economic activity may be considered an MSME (Pedraza, 2021). The main factors used for the classification of a company in micro, small, and medium-sized firms for the EU are the number of employees and the annual turnover (Pedraza, 2021).

Whilst on the other hand, the World Bank relies on country standards to classify MSMEs based on the number of employees, total assets, and annual sales (Pedraza, 2021). According to the World Bank, micro enterprises are defined as individuals/firms with total assets less than \$100,000, total sales less than \$100,000, and employ less than ten persons; Small enterprises are defined as individuals/firms with total assets or annual sales between \$100,000 and up to \$3 million and employ between 10 and 50 persons; medium-sized enterprises are defined as individuals/firms with total assets of more than \$3 million up to \$15 million and employ between 50 and 300 persons (Pedraza, 2021).

2.4 Conceptual framework

With reference to Table 2, this section examines the relationship between SMEs outcomes and VSLAs variables. The study identifies four SMEs outcomes: market share; product range; business network and cash flow.

2.4.1 Market Share

Market share is the percentage of a market's total sales garnered by a firm over a specified time (Hayes, 2022). The market may consist of all suppliers selling products/services with the same characteristics, or those that are thought of similarly by customers and are purchased for the same use. Market share has been seen as the most influential measure to evaluate the marketing performance (Clark, 2001). As Buzzell et al. (1975) mentioned in their article, "it is now widely recognized that one of the main determinants of business profitability is market share". Under most circumstances, enterprises with a higher share of the market are considerably more profitable than their smaller-share rivals (Buzzell et al., 1975). Market share is also thought to be able to reflect the competitive position for a company. Companies with high market shares are believed to satisfy customers' needs better and enjoy a competitive advantage against their smaller share competitors (Schwalbach, 1991). Similarly, according to the research conducted by the Profit Impact of Market Strategies (PIMS) project and the Boston Consulting Group, companies which have focused on gaining market share can enjoy the economies of scale and long-term profitability (Clark, 2001). Therefore, market share seems to be the main emphasis for a lot of companies and generally seems to dominate market concentration measures in explaining companies' profitability ((Kurtz & Rhoades, 1992).

2.4.2 Product quality and Range

A Product is one of the most critical elements of the marketing mix (Kotler, 1997). Distribution, promotion, and pricing strategies depend very heavily upon what the product is, its attributes, and its function (Kotler, 1997). A product is defined as a combination of tangible and intangible attributes providing need-satisfaction to consumers (Kotler, 1997). A product can also be defined as anything that can be offered to the market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler, 1997).

Product quality refers to how well a product satisfies customer needs, serves its purpose, and meets industry standards (Indeed editorial, 2021). One of the important elements in the business is providing value to customers which does not only include objects that are tangible but also objects that are intangible, that is including packaging, service characteristics, brand name as well as performance quality.

Product quality is important because it affects the success of the company and helps establish its reputation in customer markets. When companies create high-quality products that continue to meet customer demands, it leads to fewer production costs, higher investment returns and increases in revenue (Indeed editorial, 2021). Product quality also matters to the customers who depend on a company's attention to detail and customer demand. Companies create products to fill a need in the market, and consumers expect products to meet that need as the company advertises them.

On the other hand, Product range refers to the different variations of a product category that a company offers to appeal to a diverse audience with varying needs and preferences (Meredith, 2022). Different products in a product range are closely related and share some similar characteristics but are distinct from one another and are often complementary. Although some firms have only a single product, most of them produce several for the marketplace at one time. When a firm increases their product range, they can cater to the unique needs and preferences of a diverse audience and give their customers more options to choose from. If customers can find all the products they need with a particular firm, they have fewer reasons to go to the firms' competitors. This improves the chances that they will keep coming back to a site to make repeat purchases, helping build a loyal customer base and increase customer lifetime value.

2.4.3 Cash flow

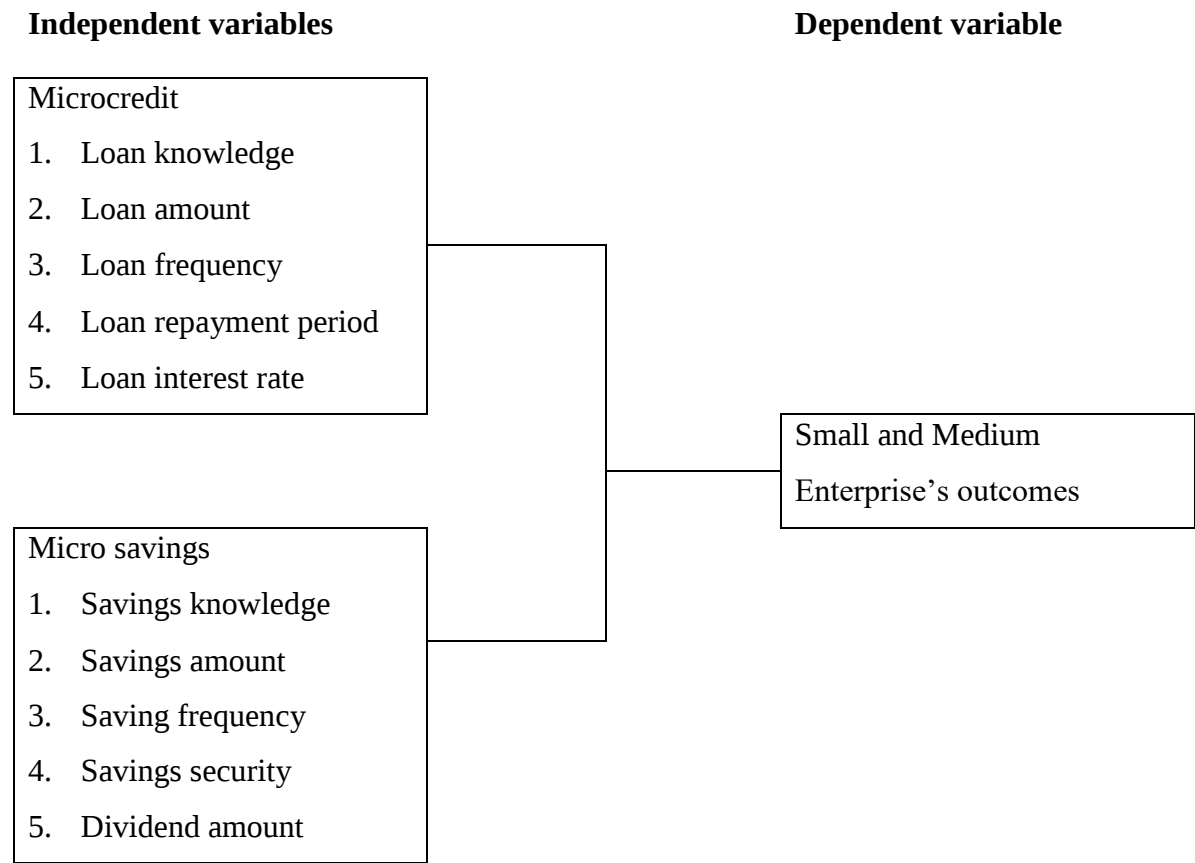
Cash flow is the amount of money that the business can retrieve from customers and debtors (cash inflow) and the same amount of money that the business is able to spend (cash outflow) in a period (Avika, 2014)). Cash flow indicates the financial health of a business by showing how much cash a particular business has on hand. Strong cash flow is important for any business, but for SMEs it's the lifeblood of their operations. Cash flow is very important to

small businesses because it gives the clearest picture of how a business is doing. A Positive cash flow also leads to a more stable business model, making it possible to pay suppliers and other expenses on time. Beyond a professional reputation, businesses will avoid late fees and other penalties that would negatively impact them. Having available cash on hand to use toward expansion can help a business to avoid high interest loans and streamline the process toward growth. This could include hiring new employees, upgrading equipment, or making new additions. Additionally, showing good business cash flow is a good sign for future financing opportunities.

2.4.4 Business network

Business networking embodies the relationships between different businesses and the utilization of these relationships to create and support a competitive advantage in business (Wickham, 2004). Networks can occur within business or between businesses and a combination of these networks may differ in terms of the flow or sharing of products, services or resources and the relationship between the business (Gandori, 1999, in Klerk and Kroon 2008). Advantages of business networking include job creation, access to information and opportunities. Business networking also enhances management processes and relationships and provides competitive advantage (Tullier, 2004). Businesses are empowered through their relationship networks in that societies can be shaped, and the economies of countries can even be affected by these relationship connections through enhancing living standards and economic growth. Networks put a business in the position to gain access to larger global markets, to benefit from economies of scale and to compete with the best large businesses across the world (Lipnack and Stamps, 1993 in De Klerk and Kroon, 2008). Combined efforts in business networking lead to results beyond the abilities of a single business as jobs can be created, business opportunities can be co-created, knowledge and relational support can be communicated and exchanged to add value and link the different role players successfully (Breiger, et.al., 2003) in De Klerk and Kroon (2008). A survey conducted by De Klerk and Kroon (2008) found several motivations behind business networking some of which include access to opportunities, obtaining knowledge on new opportunities and markets, sharing experiences, and exchanging ideas, obtaining access to new or additional distribution channels and finding opportunities for collaboration.

Table 2: Conceptual framework



2.4.5 Loan knowledge

Loan Knowledge, as defined by Nkundabanyanga and Kasozi, (2014), is the ability of an individual to make informed decision and take effective decisions regarding the use and management of money. They added that such person also possesses a facilitating attitude to the effective and responsible management of financial affairs. That is the ability to read, analyze, manage, and communicate personal financial conditions that affect well-being and the ability to distinguish financial choices, discuss money and financial issues without discomfort.

A study by Kalekye and Memba (2015) on the role of financial literacy in Kenya revealed that budgeting, cash management, savings and record keeping are significant in the profitability of

women owned businesses. The study emphasized the importance of financial training in enhancing capabilities and day to day running of businesses.

A similar study that was conducted by Makoka and Associates (2016) for an end of project evaluation for ANCP Malawi microfinance project, findings showed that loan knowledge helped the beneficiaries to know how best to utilize the loans they get from the VSLAs. For instance, several VSLA groups were reported to be conducting short term seasonal businesses to increase their investments and several groups in Dowa and Kasungu were reported to be buying soybean and reselling. This resulted in improved cash flow as more money came in and out of the business. An improvement in business cash flow also led to an improvement in income generating activities which resulted in a positive impact on various indicators of household and individual welfare including asset expenditure levels. Apart from these initiatives, it was also reported that the group members borrow money and repay mostly within a month after getting the loan on interest (Makoka and Associates, 2016). Onyango (2013) reported similar findings that budgeting knowledge had a strong effect on the financial performance of VSLAs.

2.4.6 Loan amount

Accessing credit is an important factor in increasing the development of SMEs (Goto and Afeworki 2016). Credit augment income levels, increases employment, and thereby alleviate poverty. Access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Goto and Afeworki 2016). In VSLA, the group decides the maximum loan amount. Normally, groups allow a member to borrow not more than three times the amount the member has saved with the group (IRC, 2012).

VSLA provides a platform for members to take loans which they use to invest in businesses. As the businesses grow, members make profits which increases their cash flow and the number of products sold on the market also increases. For instance, in a study that was conducted by Shukla and Sibomana (2016) on the *effects of village savings and loans on small and medium enterprises growth* in Rwanda, Kanyoza district, the findings revealed that VSLA provide the required amount of loans to clients and this has increased capital base for members businesses

because loan is one of the sources of capital for small business since most of business owners do not own assets and do not have permanent employment which would make them accumulate savings. Findings from the study also revealed that the VSLA loan amount increased profitability of the members business and made business expand their branches because definite if a business is performing well, then it must expand both in branches and capital. The findings also indicated that VSLA loan made group members acquire assets inform of transport which eased business communication, land and houses for the business and household properties which has made members to appreciate the outcome of the VSLA (Shukla and Sibomama, 2016).

2.4.7 Loan frequency rate

The typical repayment schedule offered by MFI consists of weekly repayment starting 1-2 weeks after loan disbursement (Field and Pande, 2008). The weekly repayment amount is usually calculated as the principal and interest due divided by the number of weeks until the end of term and payments are generally collected in a group meeting led by the MFI loan officer. Weekly collection of repayment installments is one of the key features of micro-finance that is believed to reduce default risk in the absence of collateral and make lending to the poor viable (Field and Pande, 2008). More frequent repayment provides clients with a credible commitment device and enables them to form the habit of saving regularly. When loans are paid back in weekly installments, there is always money coming into the village bank and other members do not have to wait for such a long time to borrow and as more loans are given out, the group earns more interest and that means bigger profits for the group and bigger dividends for the members. A weekly loan repayment means group members have a weekly income because they engage in activities that involve frequent selling and these kinds of businesses are the most profitable. A weekly income increases business cash flow as there is always money coming in and out of the business. This also improves the product range as the more money comes in, the more businesses expand their branches.

2.4.8 Loan period

The loan term is one of the most important variables in microfinance. It refers to the period during which the entire loan must be repaid. The loan term affects the repayment schedule, the

revenue to the group, the financing costs for the client, and the ultimate suitability of the use of the loan (Ledgerwood, 1999). The closer a group matches loan terms to its client's needs, the easier it is for the client to "carry" the loan and the more likely that payments will be made on time and in full. Different groups set different loan period depending on member's agreement. In some groups, loans are taken and repaid once every four weeks and members are free to pay in whatever increments they wish at each loan meeting but must repay the total sum owed within the agreed period (Bwantwana, 2018).

Short-term loans encourage group members to look for income generating activities that are more profitable and turn money over quickly. A frequent loan repayment period increases market share, product range and business cash flow because members are forced to engage in business activities that are more profitable so that they can pay back the money quickly to enable other members to borrow. When members are given a short period of time to pay back their loans, they can easily access more loans quickly which they use to expand their businesses there by increasing their product range.

2.4.9 Loan interest rate

VSLA groups provide people with the option to borrow at low interest rates in comparison to other local sources such as wealthier neighbors and traders (Burns et al 2010). The group decides the percentage rate of the service charge, which can range from 5 percent to 20 percent (IRC, 2012). Interest rate is influenced by the amount of loan taken and the length of time taken by the borrower to pay back the loan. A higher loan amount or a longer-term loan result in a borrower paying more. Loan interest rate has significant influence on Small and Medium Enterprise outcomes. A study that was carried out by Shukla and Sibomama (2016) on the effect of village savings and loans association on small and medium enterprises growth in Rwanda, Kanyoza district, found that VSLA provides loan to clients at a low interest rate. This is because members are borrowing their own money saved among them hence interests are kept at a low rate to promote members development. When interests are kept at a low rate, members save more money from the returns made from investments and this enables the members to invest in more businesses.

2.4.10 Savings knowledge

Miller and Van Hoose defined savings as setting aside something for future usage (Arhenful and Devor, 2021). In VSLA, Savings are compulsory and are collected at the weekly meetings and conceptualized as buying shares. Every week, a member must buy at least one share and is permitted to buy up to five (Mwansakilwa et al, 2017). Through the networks, savings from member associations are pooled to create a loan capital fund from which VSLA groups borrow on behalf of individual members (Hamadziripi, 2008). Knowledge of savings has an impact on savings behavior and the absence of savings knowledge hinders the capability of persons to make well-informed financial decisions. A study that was conducted in Liberia on Youth participation on village savings and loan association in an integrated ABE program, results found that savings knowledge increased savings capacity of members and enabled members to use their savings to improve their day to day lives. Before joining VSLA, most of the study participants (97.1%) did not have a clear savings plan. After joining VSLA, 100% of the study participants had a plan for how to spend their money, utilizing a component of financial literacy training received during the VSLA training modules (Education Development Center, 2017).

Savings knowledge lead to an increase in entrepreneurial activity and investment as the money is put to good use. Members with higher levels of savings are likely to involve themselves in financial products and cash flow management which result in increased profits and an expansion of businesses in the market.

2.4.11 Savings amount

In VSLA, savings are compulsory, and the amounts are collected at the weekly meetings and are conceptualized as buying shares (Ksoll et al, 2016). Every week, a member must buy at least one share and is permitted to buy up to five. The share value is set by the group and written into the group's constitution (Ksoll et al, 2016). Members do not have to save the same amount as each other, and they do not have to save the same amount at each meeting but depending on individual financial capacity (Mwesigwa and Okello, 2022). By saving more frequently in very small amounts, the poor can build their savings more easily and this contributes to improving the security of the household (Mwesigwa and Okello, 2022). Savings are maintained in a loan fund from which members can borrow in small amounts, up to three

times their individual savings (Mwesigwa and Okello, 2022). Savings amount contributes to business outcomes because savings provides an opportunity to get loans from the group to start small scale businesses. The more VSLA members save, the more loans they take to grow businesses and the more profits are made from their businesses because they have enough capital to invest in more income generating activities. Also, the more VSLA members save, the more money they receive during share out and this enables them to expand their businesses and increase their cash flow.

2.4.12 Savings frequency rate

The majority of VSLAs in Africa meet and save weekly and borrow monthly (Allen, 2006). This reduces the length of time spent in meetings (savings/share purchase meetings are short), permits people to save small amounts regularly, allows share purchase contributions to accumulate into a useful amount for borrowing and still permits moderately frequent access to loans (Allen, 2006). A higher savings frequency enables VSLA members to contribute more money to the group which is then borrowed and invested in several businesses to increase profits. As more members save and borrow, the amount of interest that is paid back to the group increases and this leads to an increased in share amount. An increase in share amount improves profitability of businesses as VSLA members can invest more money in the business

2.4.13 Savings security

All transactions in VSLA are carried out at meetings in front of all the members of the association to ensure transparency and accountability (IRC, 2012). To guarantee that no transactions happen outside of the Association's meetings, the money and passbooks are kept in a lockbox with three padlocks (Champchesnel, 2016). The three keys are kept by three members of the Association, who are not members of the Management Committee. This is a very important measure because it ensures that there can be no falsification of the records regarding shares purchased by members or loans taken out (Champchesnel, 2016). Security of savings ensures that VSLA members have enough money during share-out which they can use to invest in several businesses and increase their product range.

2.4.14 Savings dividend amount

A portion of the village bank's net profits are disbursed to members in the form of dividend payments (GIZ, 2014). Dividends are calculated based on an average annual savings balance. Dividends are distributed on an annual basis, and they are the compensation to members for saving (GIZ, 2014). The dividend ratio paid to the members depends on a combination of interest rate levels, amount of credit disbursed relative to savings deposited (A village bank with high liquidity level that does not use funds effectively will have a lower dividend ratio) and overall credit portfolio outcome (amount of loan loss provisions needed). Dividend amount increases cash flow, product range and association network. Most VSLA members use their dividend amount to invest in businesses there by increasing their cash flow as they have more money coming in and out of the business as they are making profits. Having money coming in and out of the business enables members to increase their product range and quality to make more profits from the business.

2.5 Empirical review

This section reviews empirical results of similar studies on the nexus between VSLAs on the SMES outcomes: product range, market share, business network and cash flow.

With regard to product range, Adams, Mohammed and Boateng-Kwakye (2018) in a study on VSLAs and livelihood of people in rural communities in the bole district of Ghana noted that the product level, Group Savings and Loans (GSLs) strive to mimic modern financial products, and in the process, they help shape member product knowledge and expectations of the surrounding financial markets. Furthermore, Adams, Mohammed and Boating-Kwakye (2014) also found that majority of the respondents invested these loans borrowed into their businesses to expand them and increase their profit margin which is expected to impact positively on their socio-economic life.

There is overwhelming evidence from empirical studies that VSLA leads to increased cash flow of participants. Regarding the relationship between VSLAs and increased cash flow among members, Sibomana and Shukla (2016) studying 'Effects of VSLAs on SME growth in Rwanda' found that VSLA provides required amount of loan to the clients. It is thought that credit augment income levels. Furthermore, the study found that access to credit enables poor

people to overcome their liquidity constraints and undertake some investments which would eventually increase their market share. This position is supported by Mutesasira and Nthenya (2003), in their study of savings groups in West Nile, Uganda. The study concluded that most savings groups were comprised of very low-income people, and that the savings group model was overcoming a market access problem that ‘no other known model of outreach is likely to match’.

More still, Hartley and Rijali (2003) in the evaluation of a CARE project in Zanzibar found that Group Savings and Loans (GSLs) had significantly supported the development of income generating activities (IGAs) by households. These IGAs helped to improve income. Anyango (2005) arrived at similar conclusions. The findings showed that the savings group programme had helped to improve the livelihoods of its members through increased household incomes particularly among women who comprised most of the members. Similar findings were noted by Brannen and Sheehan-Connor (2016) in a study ‘Evaluation of the impact of Village Savings and Loan Associations using a novel survey instrument in Zanzibar’ found that participation in VSLAs had led to improved living standards and housing, and increased income. They further reported that evaluations in Kenya, Malawi, Nepal, and the Philippines had found that improved access to and usage of savings accounts led to increased savings, income, entrepreneurial activity, and investment, and protected households against income shocks. Bayene and Dinbabo (2019) in a study ‘An Empirical Evaluation of the Link between Women Participation in Village Savings and Loans Association (VSLA) and Poverty Reduction in Ethiopia’ found that the average effect of participation in village saving and loan on average monthly household income of participant women was positive and significant at 5% significance level.

Regarding business network, Musinguzi (2016) in an examination of the role of social networks in savings groups Uganda found that business networks influence women’s decisions to join VSLA, challenge structural barriers, and expand their personal networks. The study argued that the need to establish business networks is to facilitate financial control, which in turn influence network dynamics.

3 CHAPTER THREE

METHODOLOGY AND RESEARCH DESIGN

This chapter describes in detail the methodology and design of the research. Specifically, it describes the study area and population, research design, sampling method, data collection tools, data analysis, ethical issues, and limitations of the study.

3.1 Description of the study area

This study was conducted in Malingunde, T/A Masumbankhunda, Lilongwe District in the central region. The study area is located at Easting 560735 (UTM) and Northing 8438238 (UTM). There are 134 villages with 105 VSLA groups in the area. These VSLA groups have a total of 1,575 members. Malingunde is one of the areas harboring interesting features, such as Kamuzu Dam and it is a neighbor to Dzalanyama Forest Reserve. Furthermore, T/A Masumbankhunda is one of the areas where VSLAs interventions have been in practice for some time. According to CARE, the programme has been in operation in the area for more than 10 years. This makes it an experienced area as far as VSLAs are concerned whereas a researcher, various factors influencing SMEs outcomes can be analyzed. Figure 1 shows the

[illegible]

3.2 Research design

After reviewing several similar studies, the study adopted cross-sectional design. Setia (2016) envisaged cross sectional design as a type of observational study in which the investigator measures the outcome and the exposures in the study participants at the same time. Cross sectional studies are generally quick, easy, and cheap to perform. They are often based on a questionnaire survey (Sedgwick, 2014). There will be no loss to follow-up because participants are interviewed only once. However, a cross sectional study may be prone to non-response bias if participants who consent to take part in the study differ from those who do not, resulting in a sample that is not representative of the population (Sedgwick, 2014).

Despite this compromise to internal validity, Setia (2016) argued that cross-sectional designs are appropriate for population-based surveys. Similarly, Levin (2006) pointed out that cross-sectional designs are usually conducted to estimate the prevalence of the outcome of interest for a given population. Considering that this study is population based and aimed at collecting data at one-time through structured questionnaire, cross-sectional design was adopted on condition that its weaknesses be minimized by triangulating with desk research and key informant interviews.

In this research, data was collected, analyzed, and integrated using both qualitative and quantitative approaches with the aim of getting a better understanding of result. The rationale for this approach is that the quantitative data and their subsequent analysis provide a general understanding of the research problem while qualitative data and their analysis refine and explain those statistical results by exploring participants' views in depth. Quantitative data was collected using questionnaires, while qualitative data was collected using Focus Group Discussions (FDGs) and Key Informant Interviews (KII). Further quantitative data was analyzed electronically, while qualitative data was analyzed using thematic analysis.

3.3 Sampling method

3.3.1 Sample Size and Sampling Procedure in the Quantitative Strand.

Table 3 shows the sampling frame, sample population, sample unit, sampling procedure and sample size for each objective. A detailed discussion on the same follows thereafter.

Table 3: Sampling method

Objective	Sampling frame	Sample unit	Sample population	Sampling technique	Sample size
Identify SMEs components which are influenced by VSLAs in T/A Masumbankhunda, Lilongwe District.	List of VSLAs members	Members of VSLA	1,575	Multistage cluster sampling	102
Explain influence of VSLAs savings on SMEs outcomes in T/A Masumbankhunda, Lilongwe District	List of VSLAs members	Members of VSLA	1,575	Multistage cluster sampling	102
Examine the influence of VSLAs loans on SMEs outcomes in T/A Masumbankhunda, Lilongwe District.	List of VSLAs members	Members of VSLA	1,575	Multistage cluster sampling	102

3.3.1.1 Sample frame, unit and population

This study, after reviewing similar studies, the study adopted a VSLA group as the basic unit of analysis and a member as unit of reference.

3.3.1.2 Multistage sampling

The study employed multistage sampling in that there were two stages: clustering VSLA groups, then selecting respondents from each cluster using systematic random sampling.

3.3.1.3 Cluster sampling

The first stage involved cluster sampling. An important objective of cluster sampling is to reduce overall costs by increasing sampling efficiency. A problem with cluster sampling is that, although every cluster has the same chance of being selected, elements within large clusters have greatly reduced chance of being selected in the final sample.

The population for this research was 1575 VSLA members from 13 groups in Malingunde, T/A Masumbankhunda. Each VSLA group represented a cluster. As such, there were 13 clusters. The study selected respondents from all clusters.

3.3.1.4 Systematic sampling

The second stage involved selecting respondents from each cluster using systematic sampling method. According to Mostafa and Ahmad (2018), Systematic sampling is sampling design in which only the first unit is randomly selected, and the rest being automatically selected according to a predetermined pattern. It ensures that every item in the population has an equal chance of being included in the sample (Taherdoost, 2016). All the respondents in two clusters were entered into excel sheet and arranged according to alphabetical order in ascending pattern. Then the first member was selected and thereafter every 15th member. The results were 67 female, and 35 male respondents were picked for the study. The total number of respondents was therefore 102.

3.3.2 Sampling in qualitative strand

The study employed a non-probability sampling technique for the collection of qualitative data. In non-probability sampling, not all members of the population have a chance to participate in the study. Sample group members must be selected based on accessibility or personal judgment of the researcher (Saunders et al, 2012). In this case, participants were selected as being typical of a wider population and on the basis that they would give special information. 5 respondents obtained by this technique included 2 district community development officers, 3 officers of the non-governmental organization carrying out village savings and loans interventions in the

focus area for the key informant interviews. 3 focus group discussions were conducted with 8 members of VSLAs, 7 village agents and 6 group administrators. The focus group participants were purposively selected on the basis that they had been involved in VSLA for over ten years hence they were well acquainted and had deeper understanding of VSLAs in the study area. The focus group discussions collected information on the influence of VSLA savings and VSLA loans on SMEs outcomes in T/A Masumbankhunda.

3.4 Empirical model

The study employed logit regression model in order to estimate SMEs outcomes

$$L_i = \ln\left(\frac{P_i}{1-P_i}\right) = \alpha + \beta_i X_i \dots \dots \dots 3.1$$

Where

$$P_i = E(Y = 1/X_i) = \frac{1}{1 + e^{-(\beta_1 + \beta_i X_i)}} = \frac{1}{1 + e^{-Z}}, Z_i = (\beta_1 + \beta_i X_i) \dots \dots \dots 3.2$$

Where

L is the logit, as Z varies from $-\infty$ to $+\infty$ and P ranges from 1 to 0, the logit ranges from ∞ to $-\infty$ to $+\infty$.

ln = the natural logarithm.

P_i = the probability of SMEs outcome

$1 - P_i$ = Probability of no SMEs outcomes

α = Constant

Y_i = Observed response of SMEs outcome. $Y_i = 1$, if outcomes, and $Y_i = 0$ if otherwise.

X_i = Vector of the determinants that influence SMEs outcomes.

β_i = Vector of the coefficients of determinant that describe how changes in the independent variables influence SMES outcomes.

SMEs outcomes are dependent on a number of factors, namely: loan, savings and insurance. SMEs outcome is probabilistic in nature hence the suitability of logit model. The model uses a logistic Cumulative Density Function (CDF). CDF is used to model regressions where the response variable is dichotomous, taking 0-1 values. The general estimating equation for the study is:

$$\text{SMEs outcomes } (L) = f(\text{Loan}, \text{Savings}) \dots \dots \dots 3.3$$

The following Logit model were used to estimate SMEs outcomes in T/A Masumbankhunda:

$$\text{SMEs outcomes } (L) = \alpha + \beta_1 \text{Loan} + \beta_2 \text{Savings} + \mu_i \dots \dots \dots 3.4$$

$$\text{SMEs outcomes } (L) = a + \beta_{1,1}Lk + \beta_{1,2}La + \beta_{1,3}Lf + \beta_{1,4}Lr + \beta_{1,5}Li + \beta_{2,1}Sk + \beta_{2,2}Sa + \beta_{2,3}Sf + \beta_{2,4}Ss + \beta_{2,5}Sd + \mu \dots \dots \dots 3.5$$

Whereas;

- Lk = Loan knowledge
- La = Loan amount
- Lf = Loan frequency rate
- Lr = Loan period
- Li = Loan interest rate
- Sk = Savings knowledge
- Sa = Savings amount
- Sf = Savings frequency rate
- Ss = Savings security
- Sd = Savings dividend amount

3.5 Definition and measurement of variables

Table 4: Variable and their measurement

Variables	Sub variables	Code	Logit	Expected	
			Measurement	Sign.	Scale
Microloan	Loan knowledge	Lk	1 =Yes, 0 = No	+/-	Nominal
	Loan amount	La	1 =Yes, 0 = No	+/-	Nominal
	Loan frequency rate	Lf	1 =Yes, 0 = No	+/-	Nominal
	Loan repayment period	Lr	1 =Yes, 0 = No	+/-	Nominal
	Loan interest rate	Li	1 =Yes, 0 = No	+/-	Nominal
Micro savings	Savings knowledge	Sk	1 =Yes, 0 = No	+/-	Nominal
	Savings amount	Sa	1 =Yes, 0 = No	+/-	Nominal
	Savings frequency rate	Sf	1 =Yes, 0 = No	+/-	Nominal
	Savings security	Ss	1 =Yes, 0 = No	+/-	Nominal
	Savings dividend amount	Sd	1 =Yes, 0 = No	+/-	Nominal

3.6 Data collection

3.6.1 Data collection in quantitative strand

The study collected both primary and secondary quantitative data in trying to achieve the study's general and specific objectives. Taherdoost (2016) defined primary data as data that is not published yet and is the first-hand information which is not changed by any individual. Secondary data is the already existing data collected or produced by someone else. The study utilized a structured questionnaire to source quantitative data from village savings and loans association members; this was administered by enumerators after they had undergone training on how to use the research tools. The main aim of the questionnaire was mainly to address research objectives, I. (To identify SMEs components which are influenced by VSLAs in T/A Masumbankhunda, Lilongwe District) and research objective II. (To explain the influence of VSLAs savings on SMEs outcomes in T/A Masumbankhunda, Lilongwe District), III (To examine the influence of VSLAs loans on SMEs outcomes in T/A Masumbankhunda, Lilongwe District). The questionnaire comprised close-ended questions with multiple choice answers where respondents were offered a set of answers they had to choose from. The questionnaire involved a particular kind of interview; a formal contact in which the

conversation was governed by the wording and order of question in the instrument. The questionnaire was administered in a standardized fashion that is in the same way to all the respondents in the survey. The questions were presented in a straightforward manner and in a logical order.

The main advantage of administering the questionnaire was that there was an increased speed of data collection and higher levels of objectivity. However, the study discovered several weaknesses in using the questionnaire such as selection of random answer choices by respondents without properly reading the question, time consuming and more expensive as the researcher travelled to the sites to meet the respondents. Moreover, there was no possibility for the respondents to express their additional thoughts about the issues at hand.

3.6.2 Data collection in qualitative strand

Qualitative data utilized key informant interviews and focus group discussions to obtain information. A key informant interview guide was used to source qualitative data from project managers, field officers and government officers. A focus group discussion guide was also used to control focus group discussions with members of village savings and loans associations, village agents and group administrators. The qualitative data collection tools mainly addressed the following objectives; I. (To Identify SMEs components which are influenced by VSLAs in T/A Masumbankhunda, Lilongwe District.), II. (To explain the influence of VSLAs savings on SMEs outcomes in T/A Masumbankhunda, Lilongwe District), III. (To examine the influence of VSLAs loans on SMEs outcomes in T/A Masumbankhunda, Lilongwe District.).

Key informant interviews were also conducted during this research with people who were well knowledgeable or with deeper understanding of VSLAs in the study area. The main purpose of the key informant interview was to explore the views, experiences, beliefs, and motivation of programme implementing stakeholders in the project. Associations' leaders were interviewed with a target of understanding their perception on the challenges and successes of VSLAs in the area. Most of these informants were purposively selected due to the expertise they had, and the nature of information required at a particular point in time. Some of the information provided was a list of all VSLAs in Lilongwe and their characteristics which was

used to sample out the study area. This list was further used to sample representative VSLAs experts. Not only that, but also, experts gave recommendations as solutions for various problems faced by VSLAs in T/A Masumbankhunda.

The main advantage of the key informant interviews was that there was a higher response rate and it allowed the researcher to collect complete information with greater understanding. On the other hand, the risk of bias was a bit high due to fatigue to becoming too involved with interviewees. The researcher also found it challenging to reach and schedule interviews with busy respondents. To deal with the risk of bias, the findings of the study were taken back to the participants who provided the data to verify if the interpretation is a representative of their beliefs.

The study identified potential key informants with first-hand knowledge about the research site, issues and problems facing the VSLA groups. In trying to identify the potential key informants, the researcher identified a diverse set of representatives with different backgrounds and from different groups or sectors. This diversity provided a broad range of perspectives. Information was obtained through face-to-face interviews with the respondents. This technique was chosen due to key informant's availability, available time, resources and overall logistical feasibility. This technique was also chosen because it provides a free exchange of ideas and lends itself to asking more complex questions and getting more detailed responses.

The interview information was captured using a tape recorder to document what key informants say. This approach allowed the researcher to freely engage in the conversation without worrying about note taking. The interviewer also took brief notes during the interview, wrote down and organized notes at the end of the interview and used the tape recording to fill in information gaps or details.

Focus group discussions were also employed to capture more information based on consensus where respondents were placed in groups of 8-10 members, comprising both men and women. The discussions were held in small groups to maintain communication and create an environment where everyone in the group participated fully. A short list of guiding questions (a focus group interview guide) was designed and used to probe for in-depth information on a particular topic. Discussions generally lasted between one and two hours, depending on activeness of a group. All the tasks were carried out by the researcher and a team of

enumerators. To aid smoothness in data collection, the researcher selected 2 people to facilitate the discussions; one person facilitated the discussion whilst the other was responsible for taking notes. This made it easier for the facilitators to observe the interactions between different group members, as well as recording what they say. It was also advantageous in that the FDGs provided a conducive platform for participants to share the perceptions, opinions, beliefs, and attitudes towards the influence of VSLAs on SMEs outcome. In other words, this method is flexible in acquiring unexpected information from issues that arise in the discussion.

3.7 Data processing and analysis

Data Processing refers to the extraction of information through organizing, indexing, and manipulating data (Huang, 2019).

According to Kothari (1990), data processing is the computation of various percentages coefficients, by applying various well-defined statistical formulas. While on the other hand, data analysis refers to a variety of specific procedures and methods. It involves goals, relationships, decision making and ideas, in addition to working with the actual data itself (AED, 2006). Data analysis includes ways of working with information (data) to support the work, goals and plans of your program or agency (AED, 2006). Ibrahim (2015) defined data analysis as the process of performing certain calculations and evaluation to extract relevant information from data.

3.7.1 Data analysis in Quantitative strand

SMEs influencing factors on VSLA were analyzed using logit regression model. The dependent variable being SMEs outcomes. The dependent variable was dichotomized with a value of one if a factor has an influence and zero if it has no influence. Data was analyzed using SPSS.

Logit regression model was used to predict the occurrence of an influence. This was logit regression because there was one dependent variable and many independent variables (Singh, 2007). This was done by fitting the data to a logistic function as indicated under empirical model. Predictor variables were used in the analysis in two forms, either as numerical or categorical variables. Some variables were coded and used the numerical values as dummy

variables while other variables were used as continuous variables. Coding was done right from the empirical model and taken through the questionnaire up to data entry and finally data analysis. The codes were maintained in SPSS. The continuous variables were categorized, and the categories were also coded for easy data entry and analysis.

Logit regression model was conducted to identify factors influencing SMEs outcome. The analysis was done to test all the variables at the same time as well as those of the specific objective. This also helped to understand the relationship and the influence of the variables on the SMEs outcome. Descriptive analysis was also conducted on the variables to understand them better.

Correlation was done to test for multicollinearity. The results indicated value <0.8 and this shows that the variables were not co linear but independent to each. The model was also checked for its goodness of fit by checking how data was classified. This is indicated using the Chi-square value shown in the classification table. The classification table shows that the model Chi-square value was significant, probability less than 0.05. In addition, descriptive analysis was also done on the variables to understand them better.

A bivariate Chi-square test was used to check the probability of having the independent variables influencing SMEs outcome. A bivariate analysis was done to find out if there was a connection between the dependent variables and the other independent variables (Dawson, 2002). If probability of Chi-square was less than 0.05 then the independent variable was significant in influencing SMEs outcome. Where probability of Chi-square was greater than 0.05 then the independent variable was insignificant in influencing SMEs outcome. Logit regression coefficients were used to explain the significant variables upon running regression analysis. The regression was run for all the independent variables in the first place to check if there was any combined influence because some variables could show influence when combined while showing no significance/influence when analyzed individually. Some variables show significance when the variables interact with other variables.

3.7.2 Data Analysis in Qualitative strand

Qualitative data from key informants and focus group discussion of this study was analyzed using thematic analysis; a process of identifying patterns or themes within qualitative data

(Delahunt and Maguire, 2017). Thematic analysis provides a highly flexible approach, providing a rich and detailed, yet complex account of data (Braun and Clarke 2006). The main objective of thematic analysis was to determine the presence and meaning of certain themes, words, concepts, phrases, character and to quantify this presence in an objective manner.

Data was organized and prepared for analysis through transcribing interviews, typing field notes, sorting, and arranging the data into different types to get familiar with it. Sub-categories and coding scheme for analysis was then developed. Coding is the process of organizing the data by bracketing chunks and writing a word representing a category (Cawayan et al, 2022). This involved taking text data gathered during data collection, segmenting sentences or paragraphs into categories and labelling the categories with a term based on the actual language of the participants. Coding process was used to generate a description of the setting or people as well as categories for analysis. Generated Codes were then combined into a single theme which were organized to form the analysis in chapter 4 and conclusions in relation to the influence of Village Savings and Loan Schemes on Small and Medium Enterprise outcome in T/A Masumbankhunda, Lilongwe District. Nvivo software program was used to aid in the sorting and organizing the large data set.

3.8 Data validity and reliability

Validity is a matter of trustworthiness, utility, and dependability that the evaluator and the different stakeholders place into it (Zohrab, 2013). It is concerned with whether research is believable and true and whether it is evaluating what it is supposed or purports to evaluate (Zohrab, 2013). On the other hand, reliability refers to the consistency of the results obtained from a piece of research (Nunan, 1992). The purpose of establishing reliability and validity in research is essentially to ensure that data are sound and replicable, and the results are accurate (Mohajan, 2017).

3.8.1 Validity and reliability in quantitative strand

To establish validity and reliability of the research instruments, questionnaires were pre-tested by interviewing 20 people with characteristics like those of the people to be studied before being used for actual data collection. The variables that were found not well measured (that is, respondents did not give consistent answers), the instruments (e.g. questionnaire) were

amended to get a second version for actual data collection. Further, research assistants were trained before data collection to minimize errors. Importantly, electronic data capture was employed by using Open Data Kit (ODK) in data collection. This, also, minimizes errors since questions are pre-programmed and answers standardized. Additionally, data cleaning was done before data analysis to ensure accuracy in results.

3.8.2 Validity and reliability in qualitative strand

To establish validity, the researcher used an independent member to determine the accuracy of the qualitative findings through taking the final report or specific descriptions or themes back to participants for comments. The procedure involved conducting a follow-up interview with participants in the study and providing an opportunity for them to comment on the findings. Data collection using recorders was again a method for minimizing errors and ensuring quality since the researcher was able to go back to the recorders for verification where issues were not clear. The researcher also used peer debriefing to enhance the accuracy of the data. Equally important, the researcher ensured reliability through checking transcripts to make sure that they do not contain obvious mistakes that were made during transcription. The researcher also made sure that there is no drift in the definition of codes, a shift in the meaning of codes during the coding process. This was accomplished by constantly comparing the data with the codes and writing memos about the codes and their definitions. Last, but not least, the facilitators used in FGDs ensured that participant remained within topic of discussion at hand.

3.9 Ethical consideration

The study complied with ethical considerations. Great care was taken to ensure that respondents were kept completely anonymous in the research. The benefits of assuring respondents' anonymity were that they would be more likely to reveal more and high-quality information, including personal opinions and insights that they would not otherwise want to be quoted. Furthermore, the researcher has acknowledged work of other authors used in any part of the research.

4 CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents results and discussions on the influence of village savings and loan schemes on small and medium enterprise outcomes in Lilongwe district, T/A Masumbankhunda, Malingunde. The results were derived from the analysis of data that was collected by means of questionnaire, in-depth interviews, Focus Group Discussion (FGD), key informants, and observation. Some of the results, including frequencies and percentages of respondents who gave specific responses during the questionnaire survey, are presented in form of tables and figures. Other results including indicators characterizing the influence of loans and savings on SMES outcomes were analyzed using Logit Regression and thematic analysis.

4.1.1 Diagnostic Tests

Before deciding on the type of regression, the study run a number of diagnostic tests including multicollinearity and Goodness-of-Fit. Multicollinearity test was conducted using SPSS version 20. The rule of thumb is that if the VIF value is between $>1 < 10$ there is no multicollinearity and if the VIF is $< 1 > 10$, there is multicollinearity (Karidjo et. al. 2018). Results indicated that all the variables were greater than 1 and less than 10. It was therefore concluded that there is no existence of multicollinearity. Furthermore, Shapiro Francia was used to test whether the data was normally distributed, and the results of the data set showed that probability was 0.01. It was therefore, concluded that the data was not normally distributed, and the study decided to use logit regression for analysis. The model was also assessed for its goodness of fit by examining how well the model classifies the observed data (in the classification table) or by examination of how likely the sample results are, given the estimates of model parameters (Hosmer and Lemeshow, 1989). The rule of the thumb is that large chi-square values indicate a poor fit for the model. A statistically significant result ($p < .05$) indicates that the model does not fit the data well.

Table 5: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	2.927	2	0.231

With reference to Table 5, the chi-square is 2.927 ($\chi^2 = 2.927$) and the p-value is .231 ($p = .341$). Based on these measures, the study concluded that the model fits the data well.

4.2 SMEs components influenced by VSLAs

The study identified four components of SMEs outcomes, namely: product range (the number of incomes generating activities), market share, business network and cash flow. The study therefore sought to assess whether the introduction of VSLAs in the area significantly improved the four components of SMEs.

To analyze data, both descriptive and thematic analysis were performed using SPSS and Nvivo as tools respectively. With reference to Appendix 7-2, descriptive results showed that 89 respondents out of 102 (87.3%) were of the view that VSLAs impacted on SMEs outcomes. With reference to figure 2, results of specific components showed that cash flow was impacted most (55.9%), followed by business network (19.6%), then market share (12.7%) and lastly product range (11.8%).

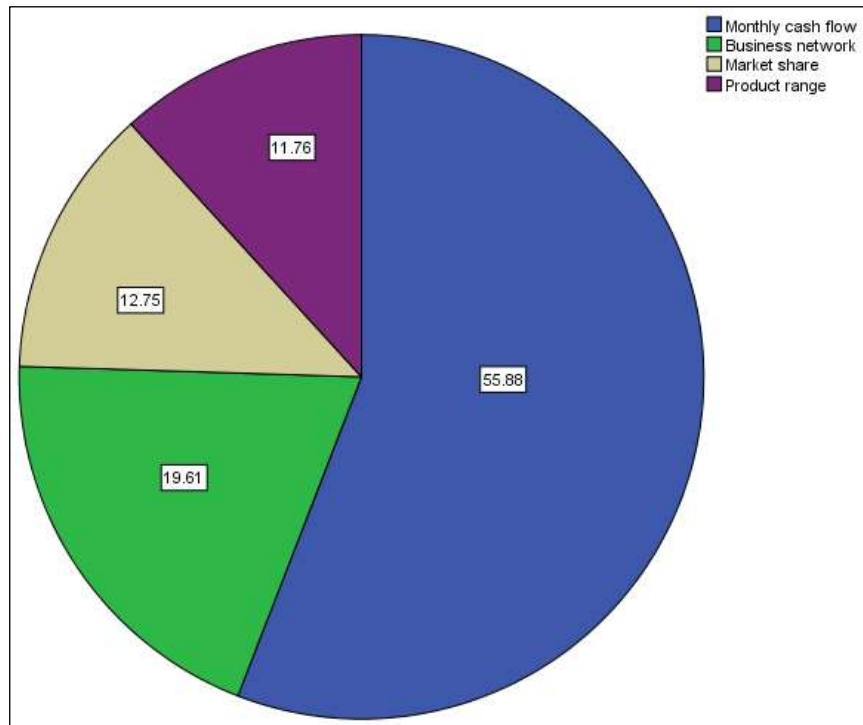


Figure 2: Impact of VSLAs on SMEs outcomes in percentage

Regarding the impact of VSLA on the market share, these results are similar to those found during focus group discussions with VSLA group members. During focus group discussions, most of the respondents agreed that participation in VSLA groups has increased the market share. A respondent from *Takondwa* VSLA group had this to say;

Before joining Takondwa VSLA group, I was struggling to access loans to start my business. After joining the VSLA group, I am now able to access loans which I use to expand my business. I can access more money from the group savings. This has helped me to earn profits and I can now afford to buy assets from the profits that I make from my business-Focus group participant 4, VSLA member, Takondwa VSLA group.

The results also correspond with findings by Ksoll et al. (2016) Which show that in addition to increasing the likelihood of taking out at least one loan, participation in VSLA increased the number as well as the value of loans that had been active within the previous twelve months (total loan amount). This implies that apart from increasing the number of loans for investment

purposes, the intervention also increased the amount of loans taken for investment purposes. Similarly, Machingammbi (2014) found that most VSLAs utilized the loans granted by MFIs effectively for business purposes thereby increasing the market share. Similarly, Adams, Mohammed and Boateng-Kwakye (2018) assessed the effect of VSLA participation on livelihood of the rural people. The study revealed that before the respondents joined the VSLAs, only 20 percent of them had accessed loans. However, after joining the VSLAs majority of the respondent (86 percent) have accessed loans. Before the respondents joined the VSLAs, those who were able to access loans took them from Commercial Banks, Rural Banks, Credit Unions and Microfinance Institutions/NGOs. However, after joining the VSLAs all the 86 percent of the respondents who have accessed loans, took the loans from the savings of the VSLAs which charged only 10 percent interest rate that is relatively lower than interest rates from the former sources. Majority of the respondents invested these loans borrowed into their businesses to expand them and increase their profit margin which is expected to impact positively on their socio-economic life. According to the study findings, all the respondents agreed that they have experienced improvement in their lives and businesses after joining the VSLAs. A before and after analysis of personal/household assets possessed by respondents such as mobile phone, tape/radio set, TV set, refrigerator, bicycle, motor bike etc. showed that the number of these assets owned by the respondents before the VSLAs increased after they joined the VSLAs.

Munkaila et.al (2020) evaluated the effect of participation in the VSLA programme on the financial outcome of rural households in the Northern region. The results indicated that participants of the VSLA programme had better financial outcome in terms of monthly income than their counterparts who didn't participate. This result justifies the benefits one can gain from being part of a VSLA programme. The finding is also consistent with Mwansakilwa, et al. (2017) who asserted that participation in VSLA influenced the off-farm income of the survey respondents. The results gave backing to the VSLA programme because participation in the VSLA has a statistically significant influence on the financial outcome of the respondents.

Hartley and Rijali (2003), in the evaluation of a CARE project in Zanzibar found that Group Savings and Loans (GSLs) had significantly supported the development of income generating

activities (IGAs) by households. These IGAs helped to improve income and added assets, and increased community awareness and understanding of how to work more effectively with financial capital. The study concluded that GSLs were a good tool for poor communities unaccustomed to working with financial assets.

Regarding the impact of VSLAs on product range, these results are similar to those found during the focus group discussions with Chikondi VSLA group. One of the participants from the focus group discussions had this to say;

With the loans that I access from my group, I have only invested in one business because I am afraid that if I invest in several businesses, I will not be able to manage them all. I have decided to invest in one business because I want to put all my energy in one business and in that way, I am able to make more money than I would have made if I had more businesses because they would have been difficult to manage”- Focus group participant 1, VSLA Secretary, Chikondi group

These results are like those found by Ksoll et. al. (2016) in a study, ‘Impact of Village Savings and Loan Associations: Evidence from a cluster randomized trial’ done in Northern Malawi which showed that VSLA did not significantly impact on the total number of incomes generating activities. Ksoll (2016) argued that contrary to expectations of NGOs initiating the programme, when a household gains access to savings, credit, and insurance against major unforeseen problems, it tends to choose more efficient economic choices, in particular to specialize in a few more profitable income-generating activities rather than to have a diversified set of such activities. The study concluded that a non-significant change in the number of income-generating activities is consistent with such an explanation. These results are also similar to those of Barnejee, et al. (2013) who found that the introduction of microcredit led to some more business creation, particularly female-owned businesses. These results could be attributed to the role that microcredit play in promoting access to loans for businesses, training, monitoring, evaluation, and learning. In addition. Brannen and Sheehan-Connor (2016) reported that participation VSLA led to an increase in the number of income-generating activities and to an increase in stability of such activities in Zimbabwe and Malawi.

This could be attributed to the role that microcredit associations play in providing enabling environment for the growth of SMEs.

4.3 Influence of VSLAs on SMEs outcomes in general

A logit regression was performed to ascertain the effects of loan knowledge, loan amount, loan frequency, loan repayment period, loan interest rate, savings knowledge, savings amount, saving frequency rate, savings security, and dividend amount on the likelihood that SMEs will improve outcome. Before running the test, the model was tested to determine normality of the data. Results are shown in Table 4-3, 4-4 and 4-5.

Table 6: Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step	50.327	10	.000
Step 1 Block	50.327	10	.000
Model	50.327	10	.000

Table 7: Model summary

Step	-2 Log likelihood	Cox and Snell R Square	Nagelkerke R Square
1	27.502 ^a	.389	.730

Table 8: Classification table

Observed		Predicted		Percentage Correct
		VSLA impact on SMEs outcome		
		No	Yes	
VSLA impact on SMEs outcome	No	9	4	69.2
	Yes	0	89	100.0
Overall Percentage				96.1

Results indicated that the logit regression model was statistically significant, $\chi^2 = 50.327$, $p < .0005$. The model explained 73.0% (Nagelkerke R^2) of the variance in VSLA and correctly

classified 96.1% of cases. The study therefore concluded that the data fitted well in the model. The study therefore proceeded to run the model. Results are shown in Table 9.

Table 9: Variables in the equation

Independent variable	B	S.E.	Wald	df	Sig.	Exp(B)
Loan knowledge	4.689	2.132	4.836	1	.028	108.754
Loan amount	-17.815	7.013	6.453	1	.011	.000
Loan repayment frequency	6.445	2.327	7.670	1	.006	629.478
Loan repayment period	15.696	5.674	7.654	1	.006	6559338.714
Loan interest rate	-14.479	5.469	7.009	1	.008	.000
Savings knowledge	2.901	3.142	.853	1	.356	18.200
Savings amount	4.689	2.133	4.834	1	.028	108.730
Savings frequency rate	7.228	3.440	4.415	1	.036	1377.898
Savings security	-1.729	2.032	.724	1	.395	.177
Dividend amount	4.712	1.548	9.268	1	.002	111.264
Constant	-7.273	2.674	7.396	1	.007	.001

Results indicate that eight independent variables, namely: loan knowledge ($p = .028$); loan amount ($p = .011$); loan frequency ($p = .006$); loan repayment period ($p = .006$); loan interest rate ($p = .008$); savings amount ($p = .028$); savings frequency rate ($p = .036$) and dividend amount ($p = .002$) contributed significantly to outcome of SMEs. However, two independent variables, namely: savings knowledge ($p = .356$) and savings security ($p = .395$) did not add significantly to the model.

In the discussion to follow, the study used the information in Table 9 to predict the probability of an event occurring based on a one unit change in an independent variable when all other independent variables are kept constant.

4.3.1 Influence of VSLAs savings on SMEs outcomes

4.3.1.1 Savings knowledge

VSLA members were trained on the importance of savings. The study therefore analyzed the influence of savings knowledge on SMEs outcome. Descriptive results showed that 95 respondents out of 102 (93.1%) were of the view that the savings knowledge influenced SMEs outcome (Refer appendix 7-3). In addition, likert scale rank order analysis was conducted to assess the extent to which savings knowledge influenced SMEs outcomes. Results are shown in Figure 3.

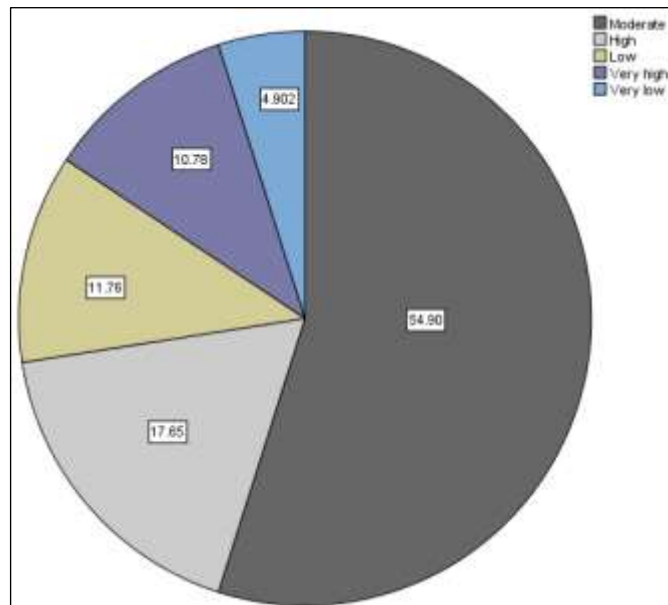


Figure 3: Impact of savings knowledge on SMEs outcome

Results show that only 10.8% of the respondents perceived that savings knowledge had a very high influence on SMEs outcome, compared to high (17.6%), moderate (54.9%), low (11.8%) and very low (4.9). These results imply that most people (55%) in the study area had a moderate view on the contribution of savings knowledge towards SMEs outcome.

With reference to Table 10, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether savings knowledge significantly influenced SMEs outcome. Results

were found not to be statistically significant ($p = 0.395$). These results confirmed that savings knowledge did not significantly influence SMEs outcomes.

However, there were mixed reactions from the results that were found during the focus group discussions with participants from *Chikondi* VSLA group. On the influence of savings knowledge on SMEs outcomes, one of the respondents from the focus group discussion had this to say;

Savings knowledge influence my business outcomes. As a group, we have been trained by our VSLA agent on how best to save our money. This has helped us to contribute the right amount of money to the group so that we have enough money that everyone can borrow and invest in businesses. Focus group participant 2, *Chikondi* VSLA group.

Judging by these results, there is still evidence of VSLA savings have a positive influence on SMEs outcomes. Savings knowledge is important for the performance of small and medium enterprises. Non-financial services such as training provided by VSLA agents are important for increased business performance. These results conform to findings of Sibomana and Shukla (2016) on the ‘Effects of VSLAs on SME growth in Rwanda’. On the influence of savings knowledge on SMEs outcomes, results revealed that VSLAs provides briefings on the right savings contribution before making any savings contribution. This ensures that money circulates in the group and provides a platform for members who awaits to borrow money.

4.3.1.2 Savings amount

The core component of the VSLA intervention is savings, these being a prerequisite for subsequent credit opportunities and insurance (Ksoll et al. (2016). The study therefore analyzed the influence of savings amount on SMEs outcome.

Descriptive results showed that 97 respondents out of 102 (95.1%) were of the view that the amount of savings contributes to SMEs outcome (Refer appendix 7-4). To assess the extent to which savings amount influence SMEs outcome, the study performed a likert scale rank order analysis results of which are shown in Table 10.

Table 10: Impact of savings amount on SMEs outcome

Rank order	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	1	1.0	1.0	1.0
Low	7	6.9	6.9	7.8
Moderate	16	15.7	15.7	23.5
High	30	29.4	29.4	52.9
Very high	48	47.1	47.1	100.0
Total	102	100.0	100.0	

Results showed that 47.1% of the respondents perceived that savings amount had a very high influence on SMEs outcome, compared to high (29.4%), moderate (15.7%), low (6.9%) and very low (1%). These results imply that most people in the study area were of the view that savings amount positively influenced SMEs outcome. Furthermore, the study conducted a paired t-test to determine whether there was a statistically significant difference in savings amount before and during participation in VSLA. Results are shown in Table 11.

Table 11: Paired t-test for savings amount before and during VSLA

Independent variable	Mean	N	Std. Deviation	Std. Error Mean
Savings amount before VSLA	6490.1961	102	7621.93954	754.68447
Savings amount during VSLA	47411.7647	102	14982.73128	1483.51146

Results show that $t(101) = -24.386, p < 0.0005$. Due to this means of the two savings amounts and the direction of the t-value, the study concluded that there was a statistically significant difference in savings amount following the participation in VSLA from MK6,490.20 $\pm$ MK7,621.94 to MK47,411.76 $\pm$ MK14,982.73 ($p < 0.0005$); an improvement of MK40,921.56 $\pm$ MK7,360.79. These results imply that the amount of savings increased significantly due to participation in VSLA.

More still, with reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether the amount of savings significantly influenced SMEs

outcome. Results were found to be statistically significant ($p = 0.028$). These results imply that the amount of savings that increased significantly due to participation in VSLA also significantly influenced SMEs outcomes.

These results are similar to those found from the focus group discussion with *Tiyanjane* VSLA group in T/A Masumbankhunda, Lilongwe. One of the respondents from the focus group discussion had this to say.

In our group, we developed a cash-box which we use to tie in our savings until the date of share-out. Each member of the group is required to contribute a minimum of k5,000.00 as savings contribution. The more savings a member contributes, the more money she/he gets at the end of the cycle. After share-out, our savings contributions are mostly used to expand our business and, in the end, we make a lot profits from our savings because we invest in a lot of businesses-Focus group participant 4, Tiyanjane VSLA group.

The findings of this study that VSLA savings amount positively influences SMEs outcomes are quite important for better performance of SMEs. A higher savings amount provides access to credit opportunities which enables members to borrow and invest in businesses. Higher savings amount also result in higher share-out amount mostly which is used for business purposes among other things. These results are similar to those found by Ksoll et. al. (2016) in a study, ‘Impact of Village Savings and Loan Associations: Evidence from a cluster randomized trial’ done in Northern Malawi which showed that the total volume of savings increased. This was attributed to an increase in the proportion of people who have liquid savings, but mostly from an increase in savings amounts among those who already had savings at baseline. The study further reported that saving in the VSLA groups is not identical to saving in a regular liquid savings account: a core feature of the intervention is the annual share-out of all savings along with any interest earned from loans made during the cycle. In other words, savings in VSLAs are tied to the VSLA cash box until the date of the share-out, and thus they also become a commitment device. Owing to this consistent argument, the study therefore concluded that the change in overall savings was driven by participation in VSLAs.

Furthermore, Alesane et al (2019) found that VSLA members saved higher savings amounts compared to non-members. For example, 48.3% of VSLA members saved up to 200 Ghana

Cedis compared to 84.9% for non-members. In addition, 32% of VSLA members saved between 201 and 500 Ghana Cedis compared to 14.1% for non-members. VSLA membership is therefore associated with higher savings amounts.

These results show that VSLA members have high saving amount comparatively due to increased sensitization and awareness for the need to save money.

The study, however, did not analyze factors which determine the amount of savings. Alesane et al (2019) found that age, formal education, household size, sex and existing loan size, all influence the amount one could save.

4.3.1.3 Savings frequency rate

Members of VSLAs were trained on the importance of saving regularly. It was expected that regular savings would improve liquidity levels of members which would in turn influence SMEs outcome. The study therefore sought to examine the influence of savings frequency rate on SMEs outcome.

Descriptive results showed that 96 respondents out of 102 (94.1%) perceived that regular savings contributed to SMEs outcome (Refer appendix 7-5). To determine the extent to which savings frequency rate influenced SMEs outcome. A likert scale rank order analysis was performed. Results are shown in Figure 4.

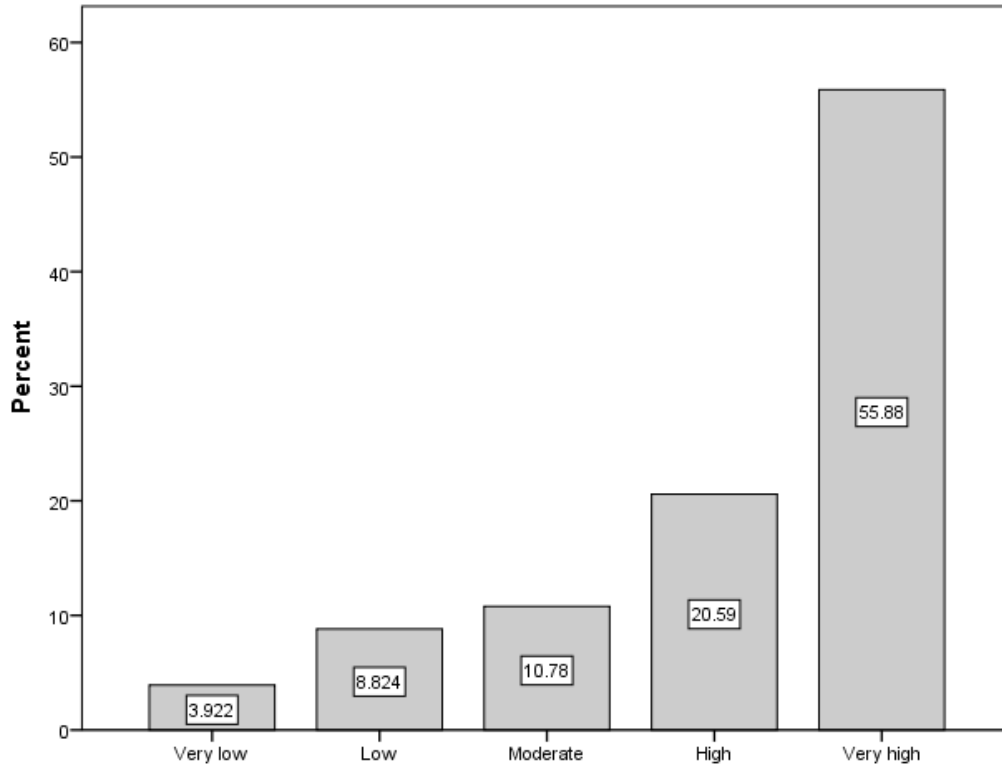


Figure 4: Impact of increased savings frequency rate on SMEs outcome

Results show that 59.9% of the respondents perceived that regular savings had a very high influence on SMEs outcome, compared to high (20.6%), moderate (10.8%), low (8.8%) and very low (3.9%). These results imply that most people in the study area were of the view that savings frequency rate positively influenced SMEs outcome.

Further still, the study conducted a paired t-test to determine whether there was a statistically significant difference in savings frequency rate before and during participation in VSLA. Results are shown in Table 12.

Table 12: Paired t-test of savings frequency before and during VSLAs

Independent variable	Mean	N	Std. Deviation	Std. Error Mean
Savings frequency before VSLA	.99	102	1.316	.130
Savings frequency during VSLA	9.98	102	2.703	.268

Results indicate that $t(101) = -9.531, p < 0.0005$. Due to this means of the two savings frequency rates and the direction of the t-value, the study concluded that there was a statistically significant difference in savings frequency rate following participation in VSLA from $.99 \pm 1.316$ per annum to 9.98 ± 2.703 per annum ($p < 0.0005$); an improvement of 8.99 ± 1.387 times per annum. These results imply that savings frequency rate increased significantly due to participation in VSLA.

To test the null hypothesis that ‘regular savings does not influence SMEs outcome’, a logit regression analysis was conducted at the $p < 0.5$ alpha level. With reference to Table 9, results were found to be statistically significant ($p = 0.036$).

These results correspond to the results that were found from the focus group discussion with Takondwa VSLA group. One of the participants had this to say;

My participation in Village Savings and Loans group has enabled me to save money regularly. Before joining the VSLA group, I had no platform to use to save money. I am now able to save money every week which I later on use to expand my businesses. This has significantly improved my business and the profits that I make from the business. My savings contribution has also helped me to acquire different household assets and I am also able to pay for my daughters' school fee. -Focus group participant 3-Takondwa VSLA group.

The implication of this study can be argued from the point of view of access to loans by VSLA members. Regular savings is important for performance of SMEs because if members are saving regularly, money is always available for group members to borrow. This augment investment opportunities for businesses to expand and earn more income. These results conform to findings of Sibomana and Shukla (2016) on the ‘Effects of VSLAs on SME growth in Rwanda’. The study indicated that VSLA clients contributed monthly and weekly to the group saving. The study therefore concluded that savings frequency rate that increased significantly due to participation in VSLA also significantly influenced SMEs outcomes.

4.3.1.4 Savings security

One of the major challenges of VSLA is security of member savings. The savings are usually kept in a savings kit which is a metal box with three (3) padlocks. The savings are kept in the

metal box together with the passbooks of members. The box is usually kept by one member whose house is considered to be safe. The keys to the padlocks are kept separately by people living at different places, but the one who keeps the box does not hold a key. Despite all these security measures, it is still risky because it is vulnerable to theft and robbery. The study therefore examined the influence of savings security on SMEs outcome.

Descriptive results showed that 96 respondents out of 102 (94.1%) were of the view that the savings security lowly influenced SMEs outcome (Refer appendix 7-6). Furthermore, likert scale rank order analysis measured on a five-point ordinal scale, namely: very low (1); low (2); moderate (3); high (4) and very high (5), was conducted to assess the extent to which savings security lowly influenced SMEs outcomes.

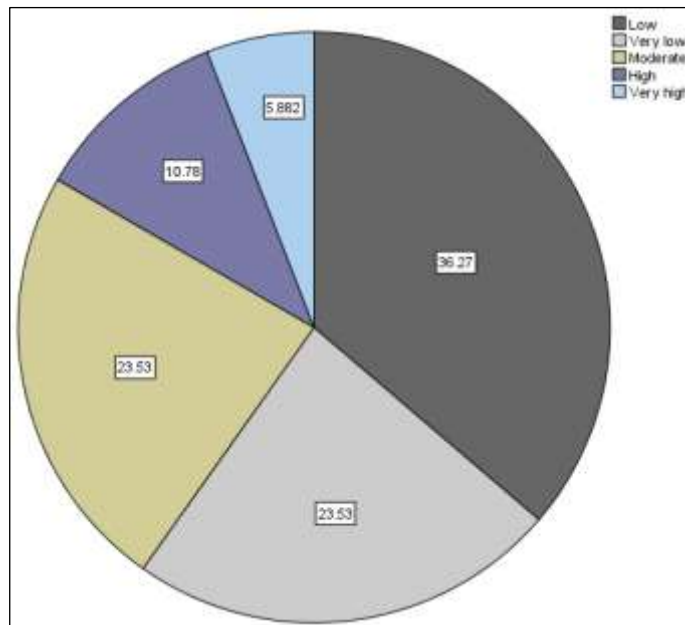


Figure 5: Impact of savings security on SMEs outcome

Results revealed that 36.8% of the respondents perceived that savings security had a very low influence on SMEs outcome, compared to low (23.5%), moderate (23.5%), high (10.8%), and very high (5.9%). These results imply that most people (37%) in the study area perceive that savings security lowly contributed to SMEs outcome.

With reference to Table 9, a logit regression analysis was performed at the $p < 0.5$ alpha level to determine whether savings security significantly influenced SMEs outcome. Results were found not to be statistically significant ($p = 0.395$). These results confirmed that savings security did not significantly influence SMEs outcomes.

However, there were mixed reactions from the participants in the focus group discussions on the influence of savings security on VSLA outcomes. Most of the respondents were of the view that savings security has a significant influence on SMEs outcomes. One of the participants from *Tikondane* savings group had this to say;

“All transactions from our group are carried out at meetings in front of all the members of the association to ensure transparency and accountability. To ensure that transactions do not take place outside the regular meetings, a lockable cash box is used to prevent unauthorized cash movement and the risk that records might be tampered with. Savings security enhances business continuity because if the money is not kept safe and if kept with someone who is not trustworthy on the group, then that means that anything can happen to our money and if the money goes missing or if the money is stolen, that means we cannot invest in businesses anymore”-Focus group participant 1, Tikondane savings group”

The conclusion from the influence of VSLA savings security on SMEs outcomes is that there is still evidence of VSLA savings security having a positive influence on SMEs outcome. However, the evidence is weakened in its statistical significance.

4.3.1.5 Dividend amount

VSLAs have a savings cycle of one year after which the savings and interest earned on loans is proportionately shared among members. It was expected that participants would use part of dividend to capitalize SMEs to boost outcomes. The study therefore examined the influence of dividend on SMEs outcomes.

Descriptive results indicated that 86 respondents out of 102 (84.3%) perceived the amount dividend to have influenced SMEs outcome (Refer appendix 7-7). The study further performed Likert scale rank order analysis to determine the extent to which the amount of dividend influenced SMEs outcome. Results are shown in Table 13.

Table 13: Impact of dividend amount on SMEs outcome

Rank order	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	8	7.8	7.8	7.8
Low	17	16.7	16.7	24.5
Very high	22	21.6	21.6	46.1
Moderate	23	22.5	22.5	68.6
High	32	31.4	31.4	100.0
Total	102	100.0	100.0	

Results revealed that 21.6% of the respondents perceived that dividend amount had a very high influence on SMEs outcome, compared to high (31.4%), moderate (22.5%), low (16.7%) and very low (7.8%). These results imply that most people in the study area are of the view that the amount of dividend positively influenced SMEs outcome. More still, the study conducted a paired t-test to determine whether there was a statistically significant improvement in the amount of dividend following participation in VSLA. Results are shown in Table 14.

Table 14: Paired t-test of dividend amount before and during VSLAs

Independent variable	Mean	N	Std. Deviation	Std. Error Mean
Dividend amount before VSLA	2803.9216	102	13799.15280	1366.31972
Dividend amount during VSLA	28049.0196	102	22739.32236	2251.52842

Results indicate that $t(101) = -9.426$, $p < 0.0005$. Due to this means of the two dividend amounts and the direction of the t-value, the study concluded that there was a statistically significant improvement in dividend amount following the participation in VSLA from MK2,803.92 $\pm$ MK13,799.15 to MK28,049.02 $\pm$ MK22,739.32 ($p < 0.0005$); an improvement of MK25,245.10 $\pm$ MK8,940.17. These results imply that the amount of dividend increased significantly due to participation in VSLA.

With reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether the amount of dividend significantly influenced SMEs outcome. Results were found to be statistically significant ($p = 0.002$).

These results correspond to the results that were found during focus group discussions with *Tiyamike* savings group. On the influence of dividend amount on SMEs outcome, the chairlady of the group had this to say;

When the operating cycle comes to an end, the group shares out the total value of its financial assets amongst the members in proportion to the number of each person's shares. Usually, part of the dividend amount is used to boost our businesses as we prepare for the next cycle-Focus group participant 6, Tiyamike VSLA group.

The findings of this study that VSLA dividend contributes to SMEs outcomes is very important for better performance of businesses. VSLA members use part of their dividend to invest in businesses to maximize their outcomes. Prior to joining VSLAs, members dividend amount was very little as compared to when they joined VSLA. Members contributed a fixed amount at agreed upon intervals. The amount collected was paid to one member in turn and pay back without contributing any interest. The money could rotate to all members until every member has received the pot. This resulted to lower dividends amount because the money was paid back without generating any interest. These results are also similar to those of Adams, Mohammed and Boateng-Kwakye (2018) which revealed that the majority of the respondents (62%) invested a greater proportion of their savings into their businesses. The study therefore concluded that the amount of dividend that significantly improved due to participation in VSLA also significantly influenced SMEs outcomes.

4.3.2 Influence of VSLAs loans on SMEs outcomes

4.3.1.6 Loan knowledge

One of the major problems affecting SMEs outcome is non-payment of loans obtained from VSLA. To ensure that VSLA members continue accessing loans for their SMEs, members were trained on loan management. The study therefore sought to establish if loan knowledge influenced SMEs outcomes.

Descriptive results showed that 95 respondents out of 102 (93.1%) were of the view that the loan knowledge influenced SMEs outcome (Refer appendix 7-8). Furthermore, likert scale rank order analysis was performed to assess the extent to which loan knowledge influenced SMEs outcomes. Results are shown in Figure 6.

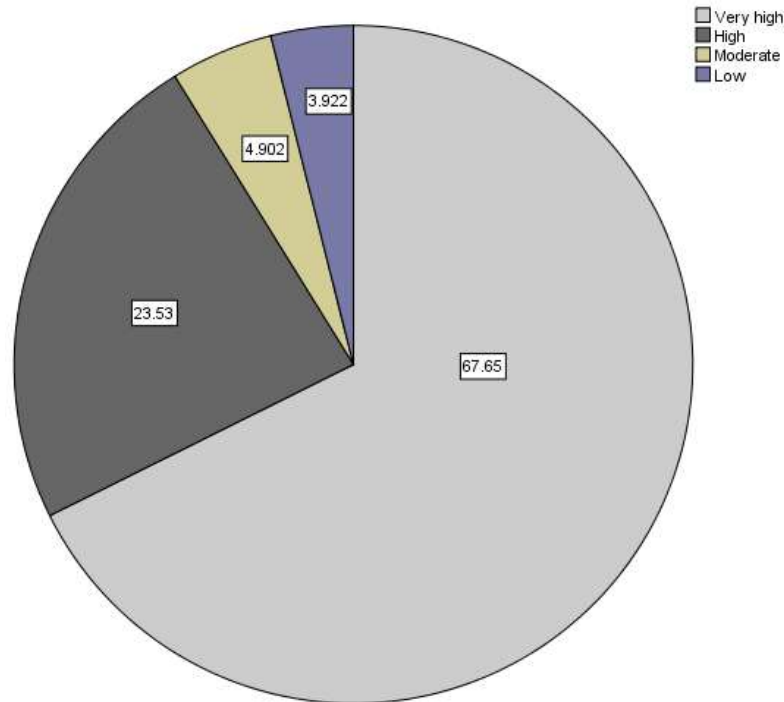


Figure 6: Impact of improved loan knowledge on SMEs outcome

Results showed that 67.6% of the respondents perceived that loan knowledge had a very high influence on SMEs outcome, compared to high (23.5%), moderate (4.9%) and low (3.9%). These results imply that most people (68%) in the study area were of the view that loan knowledge contributed towards SMEs outcome.

With reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether loan knowledge significantly influenced SMEs outcome. Results were found not to be statistically significant ($p = 0.028$). These results confirmed that loan knowledge significantly influenced SMEs outcomes.

These results correspond to the results that were found during the focus group discussions with VSLA members of *Chikondi* club. On the influence of loan knowledge on SMEs outcomes, one of the participants had this to say;

Our group has been trained on loan management. Before the training, our businesses were lagging. Most members were just borrowing money and taking long to re-pay their loans and we had other group members who were just borrowing money without proper guidance on what to use it for; in the end their businesses were suffering. Now that we have been trained on loan management, we are now able to take loans and pay them back at the appropriate time and we are now putting the loans we borrow into good use. This has boosted our business outcomes as we mostly channel our loans towards businesses and not unnecessary things.-Focus group participant , Chikondi VSLA group.

This implies that not only financial services offered by VSLA are essential for SMEs outcomes, but also the non-financial services that are offered by group administrators like training on loan management are equally important for performance of SMEs. Training on loan knowledge provide guidance to VSLA members on the usage of a loan and it also ensures that loans are invested for business purposes. These results are similar to findings of Sibomana and Shukla (2016) on the ‘Effects of VSLAs on SME growth in Rwanda’. Results revealed that VSLAs provides investment briefings on terms and conditions of the loan before acquiring loans. This ensures that all the borrowers put their loan into beneficial use and return in time to promote the VSLA association as other members also awaits to borrow. The study also found that VSLAs provide investment seminars and workshops to members. It is believed that seminars and workshops are instrumental in group knowledge dissemination as members copy from their friends who are doing well in business and apply the same knowledge to their own.

The study therefore concluded that training on loan management has increased capital base of members businesses because advisers try to provide the most appropriate channels of investment. Training and advice on loan knowledge has also increased profitability of business since the advice were put on good use.

4.3.1.7 Loan amount

The other key component of the intervention is the use of pooled savings as credit for the VSLA members (Ksoll et al. 2016). The study therefore sought to analyze the influence of loan amount on SMEs outcome.

Descriptive results showed that 97 respondents out of 102 (95.1%) were of the view that the amount of loan influences SMEs outcome (Refer appendix 7-9). Likert scale rank order analysis was also performed to determine the extent to which the amount of loan influenced SMEs outcome. Results are shown in Table 15.

Table 15: Impact of loan amount of SMEs outcome

Rank order	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	3	2.9	2.9	2.9
Low	4	3.9	3.9	6.9
Moderate	5	4.9	4.9	11.8
High	13	12.7	12.7	24.5
Very high	77	75.5	75.5	100.0
Total	102	100.0	100.0	

Results revealed that 77.5% of the respondents perceived that loan amount had a very high influence on SMEs outcome, compared to high (12.7%), moderate (4.9%), low (3.9%) and very low (2.9%). These results imply that most people in the study area are of the view that the amount of loan positively influenced SMEs outcome. Furthermore, the study conducted a paired t-test to determine whether there was a statistically significant improvement in the amount of loan following participation in VSLA. Results are shown in Table 16.

Table 16: Paired t-test of loan amount obtained before and during VSLAs

Independent variable	Mean	N	Std. Deviation	Std. Error Mean
Loan amount before VSLA (MK)	11506.8627	102	9901.13765	980.35871
Loan amount during VSLA (MK)	88068.6275	102	29474.02273	2918.36312

Results indicate that $t(101) = -28.718, p < 0.0005$. Due to this means of the two loan amounts and the direction of the t-value, the study concluded that there was a statistically significant improvement in loan amount following the participation in VSLA from MK11,506.86 $\pm$ MK9,901.14 to MK88,068.63 $\pm$ MK29,474.02 ($p < 0.0005$); an improvement of MK76,561.77

± MK19,572.14. These results imply that the amount of loan increased significantly due to participation in VSLA.

More still, with reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether the amount of loan significantly influenced SMEs outcome. Results were found to be statistically significant ($p = 0.011$).

These results correspond to the results found during focus group discussions with *Tiyamike* VSLA group in Masumbankhunda. On the influence of loan amount on SMEs outcome, one of the respondents had this to say;

Before joining VSLA group, it was very hard for us to access loans in the villages. Now that we have joined VSLA groups, we are able to access loans within a short period of time, with lower interest rates and without any collateral as our savings are made as a guarantee. Access to loans has significantly increased profitability of our businesses since capital of the businesses has also increased-Focus group discussion participant 8, Tiyamike VSLA group.

This implies that VSLA loan amount is essential for performance of Small and Medium Enterprises. Access to VSLA loan increases capital for businesses which enables VSLA members to expand their businesses. These results are also similar to those found by Abiola (2012) in Nigeria, Ahiabor (2013) in Ghana and Adams, Mohammed and Boateng-Kwakye (2018) in Ghana which revealed that before the respondents joined the VSLAs, only few had accessed loans. However, after joining the VSLAs majority of the respondent have accessed loans which was used to enhanced growth of micro enterprise. These studies therefore concluded that the amount of loan that significantly improved due to participation in VSLA also significantly influenced SMEs outcomes. Furthermore, Nyataya (2018) noted that VSLAs have served as powerful tools for enabling millions of women to access loans not only in setting up small businesses but also have improved quality of their life.

Furthermore, the results show a similar pattern to those found by Barnejee et al. (2015) in a randomized evaluation study in India. Results showed that following the introduction of microcredit scheme, borrowing was indeed higher in treatment than in control slums. In

addition, In Mexico, Angelucci, Karlan and Zinman (2015) found an increase in 10 percentage points in the probability of borrowing from the MFI in areas that got access to the lender, relative to a base of five percentage points in the control (they don't report the probability to borrow from any other MFI). In Mongolia, Attanasio et al. (2013) find a much larger increase, 48 percentage points, but this is among a sample that had already expressed interest in obtaining a loan from the lender and formed a potential borrowing group before randomization.

4.3.1.8 Loan repayment frequency rate

Another barrier to SMEs outcome is loan repayment frequency. Most loans provided by informal microfinance institutions are repaid within one month. This affects SMEs outcomes. One of the major interventions of VSLA is to soften up on loan repayment period to allow SMEs to be stable. The study therefore sought to analyze the influence of loan repayment frequency rate on SMEs outcome.

Descriptive results showed that 96 respondents out of 102 (94.1%) were of the view that the loan repayment frequency rate contributed to SMEs (Refer appendix 7-10). A likert scale rank order analysis was performed to determine the extent to which loan frequency rate influenced SMEs outcome. Results are shown in Figure 7.

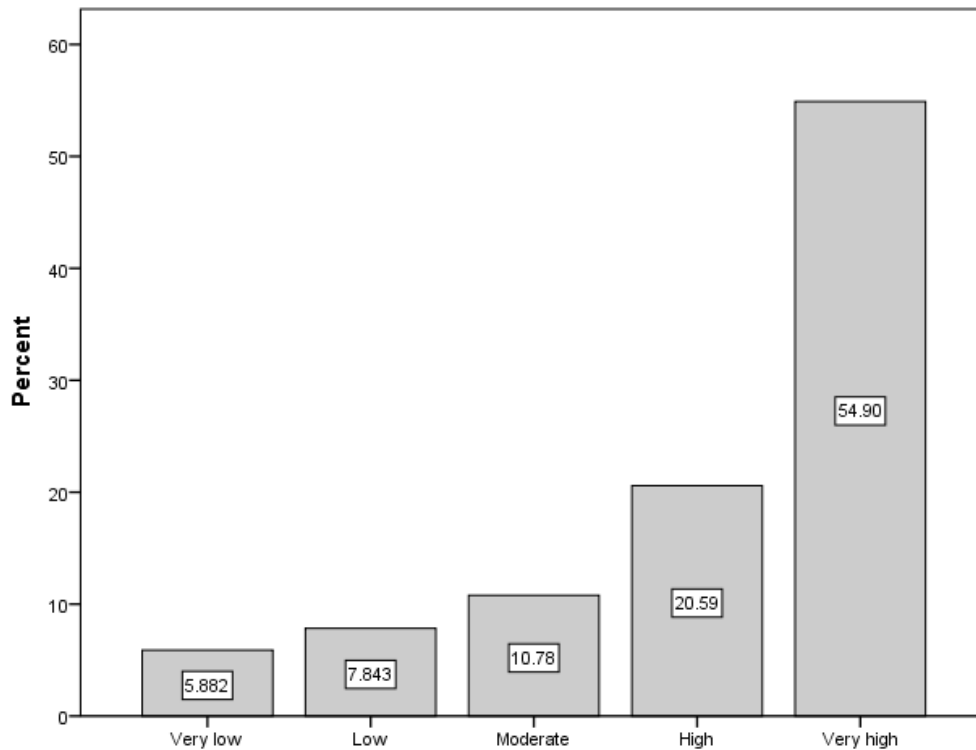


Figure 7: Impact of loan repayment frequency on SMEs outcome

Results indicated that 54.9% of the respondents perceived that reduced loan frequency rate had a very high influence on SMEs outcome, compared to high (20.6%), moderate (10.8%), low (7.8%) and very low (5.9%). These results imply that most people in the study area were of the view that loan repayment frequency rate positively influenced SMEs outcome.

With reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether loan repayment frequency rate significantly influenced SMEs outcome. Results were found to be statistically significant ($p = 0.006$).

These results correspond to the results that were found during focus group discussions with VSLA group members in Masumbankhunda, Lilongwe. On the influence of loan repayment frequency rate on SMEs outcome, one of the respondents had this to say;

Our group has flexible loan repayment schedules which enables the group to have cash flowing and which also enables other group members to borrow money on time if need be. This has boosted our incomes because the group always has money which members can borrow to boost their businesses, money

is not only held by one borrower, but it circulates to several members because of our flexible repayment schedules-Focus group participant 3, Tikondane VSLA group.

This implies that VSLA loan frequency rate is very important in influencing SMEs outcomes. Flexible loan repayment plan enables members to borrow and invest in profitable businesses before they pay back. Flexible repayment plan also ensures that money is always available for other group members to borrow and invest. These results are consistent with findings of Sibomana and Shukla (2016) on the 'Effects of VSLAs on SME growth in Rwanda'. Results revealed that VSLAs provide loans to the clients with flexible repayment schedule basing on the members saving culture and minimum income expected to get per week. Owing to these results, the study concluded that loan repayment frequency rate that significantly reduced due to participation in VSLA also significantly influenced SMEs outcomes.

4.3.1.9 Loan repayment period

The period at which one is required to pay back the loan affect SMEs outcome. VSLAs were structured in such a way that members repay loans at a period that will not affect the association and at the same time boost SMEs for which the loan was obtained for. The study therefore sought to examine if long loan repayment period influenced SMEs outcomes.

Descriptive results showed that before VSLA, 90 (88.3%) of the respondents were of the view that loan repayment period was very short (Refer appendix 7-11). Comparatively, during VSLA, 78 (76.5%) of the respondents observed that loan repayment period was moderate. With reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether longer loan repayment period significantly influenced SMEs outcome. Results were found to be statistically significant ($p = 0.006$). These results imply that longer loan repayment period significantly influenced SMEs outcomes.

These results correspond with the results that were found during the focus group discussions with *Linthumbu* VSLA group T/A Masumbankhunda, Lilongwe. On the influence of loan repayment period on SMEs outcome, one of the respondents had this to say;

When we borrow money from the group, we are all required to start repaying back after a month depending on how much one has borrowed. Loan repayment

period ranges from 1-3 months depending on how much one has borrowed. This enables us to have some time to invest the money we have borrowed in businesses. In the end, we make enough profits that enables us to boost our businesses further”-Focus group participant 3, Linthumbu VSLA group.

Owing to these results, the study concluded that loan repayment period has significantly influence SMEs outcome in T/A Masumbankhunda, Lilongwe.

4.3.1.10 Loan interest rate

One of the major strengths of VSLAs is provision of loans at a lower interest rate compared to other microfinance institutions. The study therefore sought to assess if the lower interest rates influenced SMEs outcomes.

Descriptive results showed that 95 respondents out of 102 (93.1%) were of the view that loan interest rates influenced SMEs outcome (Refer appendix 7-12). In addition, likert scale rank order analysis was performed to determine respondent’s perception on whether interest rates increased or decreased with the introduction of VSLA.

Results showed that 79 respondents (77.5%) were of the view that interest rates decreased compared to those who said that the rates remained the same (8.8%), decreased tremendously (6.9), increased (4.9%) and increased tremendously (2.0%). Furthermore, likert scale rank order was also conducted to determine the extent to which loan interest rates influenced SMEs outcome.

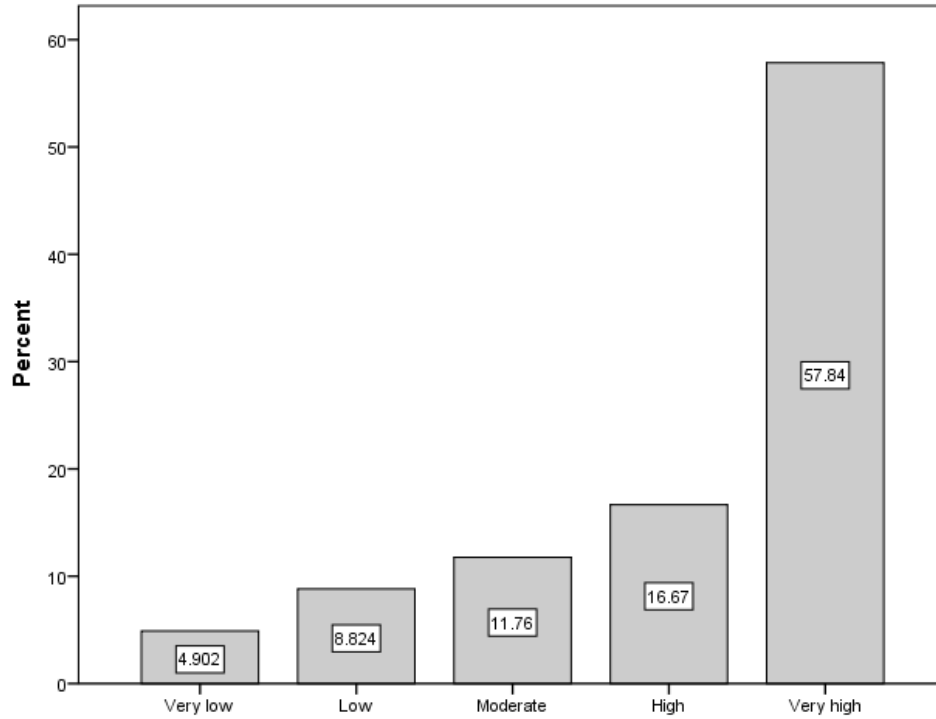


Figure 8: Impact of loan interest rate on SMEs outcome

With reference to Figure 8, results showed that 73.5% of the respondents perceived that loan interest rates had a very high influence on SMEs outcome, compared to high (12.7%), moderate (6.9%), low (3.9%) and very low (2.9%). These results imply that most people in the study area are of the view that the loan interest rates positively influenced SMEs outcome. More still, the study conducted a paired t-test to determine whether there was a statistically significant reduction in loan interest rate following participation in VSLA. Results are shown in Table-17.

Table 17: Paired t-test of loan interest rates before and during VSLAs

Independent variable	Mean	N	Std. Deviation	Std. Error
				Mean
Loan interest rates before VSLA	25.000	102	6.5249	.6461
Loan interest rate during VSLA	3.049	102	.3186	.0316

Results indicated that $t(101) = -33.511, p < 0.0005$. Due to this means of the two loan interest rates and the direction of the t-value, the study concluded that there was a statistically significant reduction in loan interest rate following participation in VSLA from 25.000% $\pm$ 6.5249% to 3.049% $\pm$.3186% ($p < 0.0005$); a reduction of 21.951% $\pm$ 6.2063%. These results imply that loan interest rate reduced significantly due to participation in VSLA.

Finally, with reference to Table 9, a logit regression analysis was conducted at the $p < 0.5$ alpha level to determine whether reduced loan interest rates significantly influenced SMEs outcome. Results were found to be statistically significant ($p = 0.008$). These results imply that that reduced loan interest rate significantly influenced SMEs outcomes.

These results correspond to the results that were found from focus group discussions with VLSA members in Masumbankhunda, Lilongwe. On the influence of loan interest rates on SMEs outcomes, one of the respondents had this to say;

Before I joined the VSLA group, I used to borrow money from money lenders who used to charge high interest rates (40%). This was very hard for me as I sometimes failed to pay back the loan and it was difficult for me to sustain my business because I used to take part of my profits to pay back the loans hence, I was failing to continue with my business. After I joined VSLA, things started improving because our group offers loans with low interest rates (5-10%). With the lower interest rates that the group charges, I can repay back my loan on time and I make enough profits that I use to expand my business branches-
Focus group participant 5, Takondwa VSLA group member.

This implies that VSLAs interest rate is important for improving SMEs performance. Lower interest rates enable VSLA members to have more money that is invested in a number of business. These results are similar to findings of Sibomana and Shukla (2016) on the Effects of VSLAs on SME growth in Rwanda'. Results showed VSLAs provide loan to the clients at a low interest rate because the members are borrowing their own money saved among them hence the interest rate is kept at a very low rate to promote members development.

5 CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The study has determined the influence of VSLAs on SMEs outcomes in T/A Masumbankhunda, Lilongwe District. Specifically, the study has addressed three specific objectives, namely: to identify components of SMEs impacted by VSLAs; to explain the influence of VSLAs savings on SMEs outcomes; and examine the impact of VSLAs loans. This chapter presents the conclusion and recommendations. It also suggests areas that may require further research.

5.1 Conclusion

The study assessed the influence of VSLAs on four components of SMEs outcomes, namely: product range; market value; business network and monthly cash flow. Logit regression analysis using SPSS was conducted at the $p < 0.5$ alpha level that market value ($p = .003$); business network ($p = .009$) and monthly cash flow ($p = .045$) were significantly impacted by VSLA. However, product range ($p = .175$) was found not to have been impacted significantly. The study therefore concluded that VSLA had a significant impact on three SMEs outcomes, namely: market share, business network and monthly cash flow.

With regard to the influence of VSLAs savings on SMEs outcomes, the study identified five variables of savings. These are savings knowledge, savings amount, savings frequency rate, savings security savings dividend amount. Logit regression analysis using SPSS was conducted to determine the influence of these variables on SMEs outcomes. Results showed that four independent variables, namely: savings amount ($p = .028$); savings frequency rate ($p = .036$) and dividend amount ($p = .002$). However, two independent variables, namely: savings knowledge ($p = .356$) and savings security ($p = .395$) did not add significantly to the model. The study therefore concluded that the amount of savings,

the frequency at which members save money with VSLAs and the dividend members receive at the end of each year influenced SMEs outcomes. However, savings knowledge and security of savings did not.

Regarding the influence of VSLAs loans on SMEs outcomes, the study identified five variables of VSLAs loans. These are loan knowledge, loan amount, loan frequency rate, loan repayment period and loan interest rate. Similarly, logit regression analysis using SPSS was conducted to determine the influence of these variables on SMEs outcomes. Results indicated that loan knowledge ($p = .028$); loan amount ($p = .011$); loan frequency rate ($p = .006$); loan repayment period ($p = .006$) and loan interest rate ($p = .008$) contributed significantly to SMEs outcomes. The study therefore concluded that loan knowledge, the amount of loan, loan frequency rate, and loan repayment period and loan interest rate influenced SMEs outcome.

5.2 Recommendations

Based on the conclusion above, the study made the following three recommendation:

- a. Since VSLAs influence SMEs outcomes in the study, up-scaling VSLAs would be a right path to enhance financial inclusion and attain SMEs outcomes including market share, business network and monthly cash flow. However, there is need for more work to be done to ensure that the product range outcome is also attained.
- b. Having found that three VSLA saving variables: increased amount of savings, increased frequency of savings and increased amount of dividend, influenced SMEs outcomes, there is need to consolidate the three variables so as to ensure that SMEs continue attaining outcomes. Taking into account that two variables, the knowledge of savings and security of savings, did not influence SMEs outcomes, there is need for strategies in enhance knowledge on savings and also ensure that member savings are secure.
- c. Finally, since all the variables under loans scheme: enhanced loan knowledge, increased loan amount, reduced loan repayment frequency, increased loan repayment period and reduced loan interest rate, influenced SMEs outcome, the study recommend that they should be sustained.

5.3 Areas for further research

Since the study was done in one area, with a relatively small aggregate sample population, with 10 variables only and heavily relying on logit regression analysis, the results cannot be generalized other areas. As such, the study suggests the need for further research to cover a wide area, with an increased disaggregate sample population, additional variables especially in the insurance domain, and use additional analysis packages such as multinomial logit analysis and factor analysis.

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6 APPENDICES

Appendix 1: Focus group discussions with group members

1. When was the group formed?
2. Why did you join this group?
3. By show of hands, how many people attended primary education/ secondary education/university/never went to school?
4. What type of businesses are you venturing into?
5. Have your businesses increased/decreased its outcomes after joining VSLAs?
6. In your opinion, what do you think is the impact of VSLA loans on SMEs outcomes?
7. In your opinion, what do you think is the impact of VSLA savings on SMEs outcomes?
8. What was your product range before joining VSLA and how can you compare your product range after joining VSLA?
9. What was your market share before joining VSLA and how can you compare your market share after joining VSLA?
10. What was the nature of your business network before joining VSLA and how can you compare your business network after joining VSLA?
11. What was your overall business cash flow before joining VSLA and how can you compare your business cash flow after joining VSLA?
12. What challenges have you encountered as members of this group? How have you tried to overcome those challenges?
13. As members of this group, have you ever received any support? (Financial support/ trainings/ other) by government or NGOs? If yes, what has been the effect of training and support to the group?
14. In your opinion, do you think VSL are viable vehicles to facilitate rural based investments?
15. What can be done to make access to financial services in this savings group better?
16. As a group, what are your future plans for this group?

Appendix 2: Key informant interview with group administrators

1. When did this village savings group start?
2. Why was the group started/ formed?
3. What are the goals and objectives of this group?
4. What is the target group for this association?
5. As a group, do you provide other functions besides saving and giving credit?
6. Which successes/ achievements has this group made since its inception?
7. How many loans have been handed out so far? / In a month how many loans can you give out
8. As a group, which challenges has this group met since its inception?
9. How many members (men and women) are registered in this group?
10. Has this savings group ever received support of any kind (government/NGO)?
11. Have trainings of any kind been organized to help the group members?
12. How do leaders get elected?
13. Do administrators have future plans for this group?
14. What are the procedures used in giving out a loan?
15. How much money does the loan consist?
16. How is supervision done to check if loans are well-used?
17. How much time can a person spend before returning a loan?
18. Are the businesses that group members venture into sustainable?
19. In your opinion, what do you think is the impact of VSLA loans and Savings on SMEs outcomes?
20. Are village savings and loans groups' reliable vehicles to facilitating rural based investments?
21. How do you rate the performance of your group from inception up to date?

Appendix 3: Structured questionnaire

STRICTLY CONFIDENTIAL				QUESTIONNAIRE/HH NUMBER/CODE																																					
SMES OUTCOMES AND VSLA STUDY, 2020 THIS STUDY IS BEING CONDUCTED BY ESNART GUNDE AS A FULFILLMENT OF THE MASTER OF ARTS IN DEVELOPMENT STUDIES AT CHANCELLOR COLLEGE. THIS INFORMATION IS STRICTLY CONFIDENTIAL AND IS TO BE USED FOR ACADEMIC PURPOSES ONLY. MICROLOAND AND MICROCREDIT QUESTIONNAIRE																																									
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CONVEY THE FOLLOWING INFORMATION TO THE RESPONDENT TO BE INTERVIEWED																																									

This year, the Department of Social Science at Chancellor College has selected 102 respondents in T/A Masumbankhunda to ask them questions about how Village Savings and loans Associations have influenced Small and Medium Enterprise outcomes in the area. The responses to the questions are intended for testing the hypothesis ‘VSLAs have no influence on SMEs outcomes’. You were not selected for any other specific reason. Simply your household was chosen using random sampling method.

I would like to ask the questions in this form to you as head of the household or spouse of the head. I will also need to ask questions to other members of your household. These questions will take over an hour to complete. All your responses will be held in confidence. These responses, which you and the members of your household might give me, will only be used by the University, or under its supervision. Before I start, do you have any questions or is there anything which I have said on which you would like any further clarification? If you accept to respond to question, I would like to request you to sign on the space provided below as evidence of consent.

_____ Surname _____ First name (s) _____ Signature _____ Date

RESPONDENTS DETAILS (FOR OFFICE USE ONLY)						
1	Name			5	Name of VSLA	
2	Age			6	Number of membership years	
3	Sex			7	Type of SME owned	
4	Marital status			8	Number of years operating SME	

MODULE 1: SMES OUTCOMES									
NO .	ITEM	RESPONSE					COMMENT	COD E	
1	Have SMEs increased after VSLA introduction?	Yes	1		No	0			
2	Can this increase be attributed to VSLA?	Yes	1		No	0			
3	Which SMEs variable has increased most?								
4	Rate the impact of VSLAs the SMEs' outcome	1	2	3	4	5			
5	What was the product range (number of products) before VSLA?								
6	What is the product range (number of products) after VSLA?								
7	Has the product range increased because of VSLA?	Yes	1		No	0			
8	How would you describe the extent of increase product range?	1	2	3	4	5			
9	What was the market share before VSLA?								
10	What is the market share after VSLA?								
11	Has market share increased because of VSLA?	Yes	1		No	0			
12	How would you describe the extent of increase of market share?	1	2	3	4	5			
13	What was the number of networks before VSLA?								
14	What is the number of networks after VSLA?								

15	Has network increased because of VSLA?	Yes	1		No	0		
16	How would you describe the extent of increase of networks?	1	2	3	4	5		
17	What was the monthly amount of cash flow before VSLA?	MK						
18	What is the monthly amount of cash flow after VSLA?	MK						
19	Has monthly cash flow increased because of VSLA?	Yes	1		No	0		
20	How would you describe the extent of increase of monthly cash flow?	1	2	3	4	5		

MODULE 2: MICRO LOANS										
NO .	ITEM	RESPONSE					COMMENT	COD E		
21	What was the loan knowledge before VSLA?	1	2	3	4	5				
21	What is the loan knowledge after VSLA introduction?	1	2	3	4	5				
23	Has loan knowledge increased SMEs outcomes	Yes	1		No	0				
24	Rate the impact of loan knowledge on SMEs outcomes	1	2	3	4	5				
25	What was the loan amount before VSLA?	MK								
26	What is the loan amount after VSLA introduction?	MK								
27	Has the loan amount increased SMEs outcome?	Yes	1		No	0				
28	Rate the of impact of increased loan amount on SMEs outcomes	1	2	3	4	5				
29	What was the loan frequency per month before VSLA?									
30	What is the loan frequency per month after VSLA introduction?									
31	Has the loan frequency increased SMEs outcome?	Yes	1		No	0				
32	Rate the of impact of increased loan frequency on SMEs outcome	1	2	3	4	5				
33	What was the loan repayment period before VSLA?	days								
34	What is the repayment period after VSLA introduction?	days								
35	Has the loan repayment period increased SMEs outcome?	Yes	1		No	0				

36	Rate of impact of increased loan repayment period on SMEs outcome	1	2	3	4	5		
37	What was the loan interest rate before VSLA?	percent						
38	What is the loan interest rate after VSLA introduction?	percent						
39	Has the loan interest rate increased SMEs outcome?	Yes	1		No	0		
40	Rate the impact of loan interest on SMEs outcome	1	2	3	4	5		

MODULE 3: MICRO SAVINGS									
NO .	ITEM	RESPONSE					COMMENT	COD E	
41	What was the savings knowledge before VSLA?	1	2	3	4	5			
42	What is the savings knowledge after VSLA introduction?	1	2	3	4	5			
43	Has the savings knowledge increased SMEs outcome?	Yes	1		No	0			
44	Rate the impact of savings knowledge on SMEs outcome	1	2	3	4	5			
45	What was the monthly savings amount before VSLA?	MK							
46	What is the monthly savings amount after VSLA introduction?	MK							
47	Has the savings amount increased SMEs outcome?	Yes	1		No	0			
48	Rate the impact of savings amount on SMEs outcome	1	2	3	4	5			
49	What was the savings frequency rate before VSLA?								
50	What is the savings frequency rate after VSLA introduction?								
51	Has the savings frequency rate increased SMEs outcome?	Yes	1		No	0			

52	Rate the impact of savings frequency on SMEs outcome	1	2	3	4	5		
53	What was the savings security before VSLA?	1	2	3	4	5		
54	What is the savings security after VSLA introduction?	1	2	3	4	5		
55	Has the savings security increased SMEs outcome?	Yes	1		No	0		
56	Rate the impact of savings security on SMEs outcome	1	2	3	4	5		
57	What was the dividend amount before VSLA?	percent						
58	What is the dividend amount after VSLA introduction?	percent						
59	Has the dividend amount increased SMEs outcome?	Yes	1		No	0		
60	Rate the impact of dividend amount on SMEs outcome	1	2	3	4	5		

Appendix 4: Impact of VSLA on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	13	12.7	12.7	12.7
Valid Yes	89	87.3	87.3	100.0
Total	102	100.0	100.0	

Appendix 5: Impact of VSLA savings knowledge on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	7	6.9	6.9	6.9
Valid Yes	95	93.1	93.1	100.0
Total	102	100.0	100.0	

Appendix 6: Impact of VSLA savings amount on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	5	4.9	4.9	4.9
Valid Yes	97	95.1	95.1	100.0
Total	102	100.0	100.0	

Appendix 7: Impact of VSLA savings frequency on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	6	5.9	5.9	5.9
Valid Yes	96	94.1	94.1	100.0
Total	102	100.0	100.0	

Appendix 8: Impact of VSLA savings security on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	6	5.9	5.9	5.9
Valid Yes	96	94.1	94.1	100.0
Total	102	100.0	100.0	

Appendix 9 : Impact of VSLA dividend amount on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	16	15.7	15.7	15.7
Valid Yes	86	84.3	84.3	100.0
Total	102	100.0	100.0	

Appendix 10: Impact of VSLA loan knowledge on SMEs outcome

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	7	6.9	6.9	6.9
	Yes	95	93.1	93.1	100.0
	Total	102	100.0	100.0	

Appendix 11: Impact of VSLA loan amount on SMEs outcome

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	5	4.9	4.9	4.9
	Yes	97	95.1	95.1	100.0
	Total	102	100.0	100.0	

Appendix 12: Impact of VSLA loan frequency period on SMEs outcome

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	6	5.9	5.9	5.9
	Yes	96	94.1	94.1	100.0
	Total	102	100.0	100.0	

Appendix 13: Impact of VSLA loan repayment period on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	7	6.9	6.9	6.9
Valid Yes	95	93.1	93.1	100.0
Total	102	100.0	100.0	

Appendix 14: Impact of VSLA loan interest rate on SMEs outcome

	Frequency	Percent	Valid Percent	Cumulative Percent
No	7	6.9	6.9	6.9
Valid Yes	95	93.1	93.1	100.0
Total	102	100.0	100.0	

Appendix 15: Paired T-Test output

No.	Independent variables	Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Annual savings amount before VSLA - Annual savings amount during VSLA	40921.56863	-16947.61076	1678.06352	-44250.39525	-37592.74201	-24.386	101	.000
Pair 2	Savings frequency before VSLA - Savings frequency during VSLA	-8.990	2.616	.259	-9.504	-8.476	-34.713	101	.000
Pair 3	Dividend amount before VSLA - Dividend amount during VSLA	25245.09804	-26752.04675	2648.84734	-30499.69862	-19990.49746	-9.531	101	.000
Pair 4	Annual loan amount before VSLA (MK) - Annual loan amount during VSLA (MK)	76561.76471	-26985.01617	2671.91475	-81862.12482	-71261.40459	-28.654	101	.000
Pair 5	Loan interest rates before VSLA - Loan interest rate during VSLA	21.9510	6.6155	.6550	20.6516	23.2504	33.511	101	.000