

**EFFECTIVENESS OF FINANCIAL SUPPORT TO SMEs IN MALAWI: A CASE  
OF THE FINES PROJECT IN LILONGWE DISTRICT**

**MASTER OF PUBLIC ADMINISTRATION AND MANAGEMENT THESIS**

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**UNIVERSITY OF MALAWI**

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**By**

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Submitted to the Department of Political and Administrative Studies, faculty of Social Sciences, in partial fulfillment of the requirements of the degree of Master of Public Administration and Management

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**DECLARATION**

I, Tupochele Maulidi, hereby declare that the work presented in this paper is my original work, and has not been submitted for any other awards at this or any other University for academic purposes. Where other sources of information have been used, they have been fully acknowledged.

Signature.....Date.....

**Tupochele Maulidi**

**CERTIFICATE OF APPROVAL**

The undersigned certify that this thesis represents the student's own work and effort and has been submitted with our approval.

Signature:.....Date.....

**Dr. Benson Munyenyembe, PhD.**

**(Main Supervisor)**

## **DEDICATION**

I dedicate this thesis to my father, Mr. Adams J. Maulidi, and my mother, Mrs. Ellen Maulidi, who embody the qualities of truly supportive parents. Your tireless efforts and unwavering dedication to ensuring I received the best education have shaped my journey in immeasurable ways. I will be forever grateful.

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## **ABSTRACT**

This study evaluates the effectiveness of the Financial Inclusion and Entrepreneurship Scaling (FInES) Project in supporting Small and Medium Enterprises (SMEs) in Malawi, with a focus on Lilongwe District. Launched in 2020 with support from the World Bank, the FInES Project seeks to enhance access to finance, build entrepreneurial capacity, and promote inclusive growth, particularly in the post-COVID-19 recovery period. The study adopted a qualitative, inductive research design using purposive sampling. Primary data were collected from 20 respondents, including SME beneficiaries, officials from the Reserve Bank of Malawi, and World Bank representatives. Semi-structured questionnaires were used, and data were analysed thematically to identify key patterns and insights. Findings indicate high general awareness of the project but limited understanding of application processes and fund utilization. While the project has exceeded inclusion targets for women and youth, evidence of sustained business impact is limited due to weak performance tracking, misuse of funds, and implementation challenges. The study concludes that although FInES has strong potential as a financial inclusion mechanism, its effectiveness is constrained by limited rural outreach and insufficient capacity building. It recommends improved communication, simplified access requirements, strengthened monitoring systems, and enhanced financial literacy support to maximize developmental impact.

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## **LIST OF ABBREVIATIONS**

ATMs	Auto-Teller Machines
BAM	Bankers Association of Malawi
FIMA	Financial Inclusion in Malawi
FInES	Financial Inclusion and Entrepreneurship Scaling Project
FSDS	Financial sector Development Strategy
FSTAP	Financial Sector Technical Assistance Project
GDP	Gross Domestic Product
GoM	The Government of Malawi
MFI	Micro-finance Institutions
MMF	Malawi Mudzi Fund
MRFC	Malawi Rural Finance Company
MSME	Micro Small and Medium Enterprises
NSFI	National Strategy for Financial Inclusion
PFI	Participating Financial Institutions
RBM	Reserve Bank of Malawi
SACA	Smallholder Agricultural Credit Administration
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Project
UNCDF	United Nations Capital Development Fund

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter provides a general overview of the study and sets the context for examining the effectiveness of financial support to Small and Medium Enterprises (SMEs) in Malawi. It presents the background of the study, outlining the conceptual and policy foundations that motivate the research. The chapter further discusses the problem statement, research objectives, justification of the study, and its significance to the researcher, academia, policymakers, and other key stakeholders. The chapter therefore establishes the basis for understanding the relevance of financial inclusion initiatives, particularly the Financial Inclusion and Entrepreneurship Scaling (FInES) Project, within Malawi's development agenda.

### **1.2 Background of the Study**

Globally, financial inclusion has emerged as a critical development priority, with institutions such as the World Bank and the United Nations recognising access to financial services as a catalyst for poverty reduction, economic growth, and social inclusion. Financial inclusion (FI) is defined as access to and usage of a full range of affordable, appropriate, and regulated financial services by adults, delivered responsibly through a competitive financial system (Demirgüç-Kunt et al., 2017). Nkuna et al. (2021) identify three key dimensions of financial inclusion—access, usage, and quality—all of which are essential for ensuring meaningful participation in the financial system.

Financial inclusion places particular emphasis on historically excluded and vulnerable groups, including rural populations, low-income households, women, and youth. It considers their ability to access and use essential financial services such as savings and payment accounts, credit, insurance, and pension products (Iqbal & Sami, 2017). An inclusive financial system enhances consumer protection, promotes economic stability, and supports sustainable development.

At the regional and global level, studies consistently show a strong link between financial inclusion, economic growth, and poverty reduction. Kim et al. (2018) argue that higher levels of financial inclusion enable broader participation in the economy by integrating individuals and enterprises into formal financial systems, thereby enhancing capital formation and economic resilience. Inclusive financial systems are therefore central to the achievement of the Sustainable Development Goals (SDGs) and Africa's Agenda 2063, which emphasise inclusive growth and reduced inequalities.

Within the Malawian context, financial exclusion remains a significant constraint, particularly for SMEs and smallholder farmers. The Ministry of Agriculture, Irrigation and Water Development (2018) reports that access to formal credit in Malawi is limited by high interest rates, stringent collateral requirements, and complex loan application procedures. Similarly, Diagne (1999) observes that Malawian households often face severe credit constraints, accessing less than half of the loan amounts demanded, despite the critical role of credit in promoting productive investment and sustainable economic growth. These challenges contribute to low enterprise growth, limited innovation, and persistent poverty among SMEs.

In response to these challenges, the Financial Inclusion and Entrepreneurship Scaling (FInES) Project was implemented in 2020 with support from the World Bank. The project aims to increase access to financial services, promote entrepreneurship, and strengthen the capabilities of Micro, Small, and Medium Enterprises (MSMEs) in Malawi, while also addressing the economic impacts of COVID-19 (World Bank, 2020).

The Government of Malawi has further demonstrated its commitment to financial inclusion through policy initiatives such as the National Strategy for Financial Inclusion (2010–2015), the Financial Sector Development Strategy (2010), and the Financial Sector Technical Assistance Project (FSTAP) (2011–2017).

Against this background, this study seeks to assess the effectiveness of financial support to SMEs in Malawi through the FInES Project, with a particular focus on Lilongwe District. By situating the study within global, regional, and national financial inclusion discourses, the research contributes to understanding how targeted financial inclusion interventions can enhance SME performance and support inclusive economic development.

### **1.3 Problem Statement**

In developing countries such as Malawi, there is a lack of financial inclusion, which results in the exclusion of low-income groups from meaningful participation in economic development (World Bank, 2017). Financial inclusion is essential for both rural and urban economic development, as it increases opportunities for low-income populations to improve their quality of life. Compared to other continents, Africa continues to record relatively low levels of financial inclusion, which constrains poverty alleviation efforts and limits economic growth (Zeil & Wins, 2016).

The 2019 Malawi FinScope MSME Survey estimates that there are approximately 1.6 million MSMEs in the country, employing about 1.8 million people. Of these enterprises, 74% are micro-enterprises, 23% are small enterprises, and only 3% are medium enterprises. The MSME sector contributes about 40% of gross domestic product (GDP) and 24% of national employment, with approximately 21% of Malawi's adult population deriving their livelihoods from this sector (FinScope, 2019). Despite this significant contribution, the majority of MSMEs remain informal and face structural challenges that limit their growth potential.

According to Chilima (2022), although MSMEs have the potential to contribute more significantly to the economy, their capacity to expand remains limited due to inadequate access to finance, knowledge, and business networks. MSMEs also face challenges in areas such as business planning, financial management, bookkeeping, marketing, and human resource management. In many cases, these enterprises are unable to afford professional support services that could enhance business growth and resilience. As a result, MSMEs often rely on informal and costly sources of finance, including village savings and loan associations, family contributions, rotating savings schemes, and informal money lenders.

The COVID-19 pandemic further exacerbated these challenges, increasing the risk of insolvency and business closures among MSMEs. In response, the Government of Malawi, with support from the International Development Association (IDA), launched the Financial Inclusion and Entrepreneurship Scaling (FInES) Project to provide affordable financing, support innovation, and enhance enterprise resilience through digital financial services (Chilima, 2022).

Despite these interventions, financial exclusion remains prevalent in Malawi, with approximately 60% of adults lacking access to formal financial services, and only 14% actively using such services (Nyangulu, 2023). Although the Reserve Bank of Malawi has reached approximately 33,000 MSMEs through the FInES Project—46% of whom are women and 12% youth—awareness of the project and understanding of access requirements remain limited among many eligible enterprises (Matamba, 2023).

In principle, SMEs are required to access FInES funding through participating banks or microfinance institutions based on predefined eligibility criteria. Approved enterprises are expected to utilise the funds for their intended purposes and demonstrate improved performance indicators such as increased turnover, business expansion, and employment creation. However, evidence from monitoring reports indicates that some SMEs fail to utilise the funds effectively, leading to minimal project progress and weak accountability.

Ineffective utilisation of FInES funds poses significant risks, including increased loan defaults, loss of pledged collateral by SMEs, and potential withdrawal of funding support from development partners such as the World Bank.

Such outcomes would undermine the objectives of the FInES Project and limit opportunities for capable SMEs to contribute to economic growth and job creation.

While several studies have examined financial inclusion and SME financing challenges in Malawi, there remains limited empirical evidence on the effectiveness of specific government-led interventions such as the FInES Project. This study therefore seeks to bridge this gap by evaluating the effectiveness of financial support provided to SMEs through the FInES Project, with a particular focus on SMEs operating in Lilongwe District.

#### **1.4 Main Research Objective**

- To assess the effectiveness of financial support provided to SMEs in Malawi through the FInES Project

#### **1.5 Specific Research Objectives**

The study had the following specific objectives:

- a. Assess the awareness of the local masses regarding FInES project
- b. Analyzing the effectiveness of the FInES project in Supporting SME Development
- c. Identify the challenges faced by SMEs in accessing and Utilizing FInES funds

#### **1.6 General Research Question**

- How effective is the financial support to SMEs through the FInES project?

#### **1.7 Research Questions**

The following were the research questions the study addressed

- a. What are the channels which are being used by FInES project to reach the local masses on availability of funding to SMEs?
- b. Is the FInES project effective in supporting development of SMEs in Malawi?
- c. What are the major challenges that SMEs face while accessing and utilizing FInES funds?

## **1.8 Justification of the study**

The study is justified for several key reasons, particularly in addressing critical gaps in financial inclusion, the sustainability of small and medium-sized enterprises (SMEs) in Malawi, and their role in driving economic growth. Financial inclusion remains a significant issue in developing countries like Malawi where a large portion of the population, particularly those in rural areas and low-income groups, lacks access to formal financial services (Nyangulu, 2023). The FInES project was established to bridge the gap and provide essential financial support to SMEs. However, despite these efforts many SMEs still face challenges in utilizing available financial resources effectively. The study will assess the reasons for such inefficiencies, which is crucial to improving financial inclusion and ensuring that the intended benefits of the FInES project reach the most vulnerable populations.

SMEs are vital to the economic development of Malawi, contributing significantly to the GDP and providing employment to millions of people (FinScope, 2019). However, as identified by Chilima (2022), these enterprises often struggle to access affordable financing and face many operational challenges. The ability of SMEs to expand is hindered by their limited access to financial services, particularly formal credit. By evaluating the effectiveness of financial support from the FInES project, this study will contribute to understanding how these challenges can be mitigated, helping SMEs become more resilient, competitive, and sustainable.

The study aimed to provide insights that can aid in the formulation of more effective policies and strategies by the Reserve Bank of Malawi and other relevant stakeholders. With financial inclusion being a central tenet of Malawi's long-term development plans, including the Sustainable Development Goals (SDGs) and Agenda 2063, ensuring that projects like FInES are effectively implemented is crucial. Findings from this study will inform future policy adjustments and enhance the design of future financial inclusion initiatives to ensure they are better aligned with the needs of SMEs, especially in rural areas.

## **1.9 Scope of the study**

The study focused on SMEs located in Lilongwe District, Malawi's capital city and a major economic hub with a high concentration of SMEs. The study targeted SMEs that had accessed or applied for financial support under the FInES Project. Data were drawn from the period 2020 to 2023, capturing both project implementation and post-COVID-19 recovery phases.

## **1.10 Significance of the Study**

There are some empirical studies which have a specific focus on financial inclusion in Malawi, therefore this study will contribute to the body of literature. The findings of the study are expected to contribute to the formulation of policies by the Reserve Bank of Malawi to ensure effectiveness of financial inclusion to SMEs. The study will be a basis for further research on the impact of FInES project to Malawians.

## **1.11 Organisation of chapters**

This study is organised into five chapters. Chapter One introduces the study and provides its general context. Chapter Two presents a review of relevant literature. Chapter Three outlines the research methodology. Chapter Four presents and discusses the research findings, while Chapter Five concludes the study and offers policy and future research recommendations.

## **1.12 Conclusion**

This chapter has introduced the study by outlining the background, problem statement, research objectives, scope, justification, and significance of the research. It has established the foundation for assessing the effectiveness of financial support to SMEs through the FInES Project in Malawi. Chapter 2 presents a review of relevant literature that informs the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Globally, both theoretical and empirical literature consistently demonstrates that low savings rates and limited access to finance constrain economic growth, particularly in developing economies (Todaro & Smith, 2011). Financial inclusion has therefore gained prominence as a critical policy instrument for fostering inclusive and sustainable economic development. International development institutions increasingly recognise financial inclusion as a prerequisite for poverty reduction, employment creation, and private sector development, especially in the Global South. In Africa and other developing regions, financial inclusion is viewed as a necessary condition for accelerating growth and reducing inequality (Triki & Faye, 2013).

#### **2.2 Financial Inclusion**

At the global level, financial systems in low-income and developing countries tend to be shallow and serve only a small proportion of the population (Nkuna et al., 2021). Savings rates remain low, and formal financial institutions often fail to perform effective intermediation roles, limiting access to credit and other financial services. As a result, financial inclusion has become central to global development discourse, particularly in relation to the Sustainable Development Goals (SDGs).

In the Global South, financial exclusion disproportionately affects rural populations, low-income households, women, and youth. Financial inclusion seeks to address these disparities by improving access to essential services such as savings, payments, credit, insurance, and pensions (Triki & Faye, 2013).

Inclusive financial systems enhance consumer protection, promote economic stability, and strengthen resilience to economic shocks, making them essential for sustainable development.

In low-income countries such as Malawi, financial systems remain thin and tend to serve only a small segment of the population (Nkuna et al., 2021). Savings rates are still low, and formal financial systems are constrained in performing effective intermediation functions. Financial inclusion is therefore increasingly recognised as a necessary condition for inclusive and sustainable growth in Africa and other developing regions (Triki & Faye, 2013).

The Government of Malawi (GoM) recognises financial inclusion as a vehicle for achieving inclusive and sustainable economic growth. Over the years, GoM has implemented several initiatives, including the National Strategy for Financial Inclusion (NSFI) 2010–2015, the Financial Sector Development Strategy (2010), and the Financial Sector Technical Assistance Project (FSTAP) 2011–2017. Despite these efforts, financial inclusion remains low, largely due to the urban concentration of formal financial institutions. For example, as of December 2016, only 3.3 percent of bank outlets were located in rural areas (Nkuna et al., 2018), yet approximately 84 percent of Malawi's population resides in rural areas (National Statistical Office, 2019). Chirwa and Mvula (2014) further report that only 15.4 percent of adult Malawians owned a formal bank account.

### ***2.2.1 Financial Inclusion in Malawi***

Within Malawi, financial inclusion remains relatively low despite sustained policy interventions. The GoM has implemented various initiatives to expand access to financial services, including the NSFI 2010–2015, the Financial Sector Development Strategy (2010), and FSTAP 2011–2017. However, financial exclusion persists, particularly among rural populations, women, and low-income households.

### *2.2.1.1 Historical Background of Financial inclusion in Malawi*

In 1987, GOM established a department in the Ministry of Agriculture called Smallholder Agricultural Credit Administration (SACA) and Malawi Mudzi Fund (MMF) in 1988 with the aim of providing seasonal loans to smallholder farmers through the farmers clubs. The scheme collapsed in 1993/94 after loan recoveries dropped down significantly in 1992/93. SACA was converted into the Malawi Rural Finance Company (MRFC) in 1994 which was fully owned by Malawi Government. The MRFC had over 25,000 accounts at the end of December 2006 (International Monetary Fund and World Bank, 2008). The GOM fully owned the Malawi Savings Bank and had stakes in commercial banks in the Malawi financial sector such as Inde Bank and NBS Bank.

In 2007, with support from UNDP and UNCDF, the Government launched the Financial Inclusion in Malawi (FIMA) project, which led to the development of the first NSFI. However, the absence of a coordinating institution following the end of FIMA in 2011 weakened implementation efforts, limiting the strategy's impact. Subsequent initiatives, including the Financial Sector Development Strategy and FSTAP, sought to strengthen financial literacy, consumer protection, and access to finance.

Building on these foundations, the Financial Inclusion and Entrepreneurship Scaling (FInES) Project was launched in 2019/2020 with World Bank support. The project aims to enhance access to finance, strengthen entrepreneurship capacity, and improve MSME resilience, particularly in response to the economic impacts of COVID-19.

In 2007, GoM with support from the United Nation Development Project (UNDP) and United Nations Capital Development Fund (UNCDF) launched the Financial Inclusion in Malawi (FIMA) project with the objective of tackling poverty by ensuring that the poor and vulnerable populations, especially in the rural areas have access to financial services which included: loans, savings, payment services, money transfers, and or insurance (Nkuna, 2021). The project resulted in the development of the first National Strategy for Financial Inclusion (NSFI) which was implemented in 2010-2015.

Its focus was on improving the delivery of quality and diverse financial services to those excluded from the financial sector. Due to the absence of a coordinating institution (which was supposed to be FIMA which ended in 2011), the strategy implementation failed. Key initiatives which were meant to instill a tangible impact on financial inclusion were not implemented.

The institution of the financial sector Development Strategy (FSDS) for 2010-2015 complemented the NSFI and its objective was to build a financial sector which supports financial services and stimulated sustainable economic growth. The Bankers Association of Malawi (BAM) formed a taskforce to champion financial inclusion among banks after the implementation of the National switch facilitating interoperability among banks.

GoM through the World Bank implemented the Financial Sector Technical Assistance Project (FSTAP) for 2011-2017 with the aim of increasing access to finance for the unbanked but bankable Malawians. Activities like implementation of baseline surveys, establishment of consumer protection unit within the Reserve Bank of Malawi, and financial literacy campaign programs aimed at improving financial inclusion.

In 2019, the Reserve Bank of Malawi through World Bank launched the Financial Inclusion and Entrepreneurship scaling project (FInES) aimed at increasing access to financial services, promoting entrepreneurship and capabilities of Micro, small and Medium Entrepreneurs (MSMEs) in Malawi including addressing Coronavirus Disease 2019 (Covid 19) implications.

### ***2.2.2 Financial Inclusion and Sustainable Development***

Financial inclusion is widely acknowledged as a catalyst for sustainable development across both developed and developing economies. Although no single SDG is dedicated solely to financial inclusion, access to finance underpins several goals related to poverty reduction, gender equality, decent work, and economic growth (Klapper, El-Zoghbi & Hess, 2016). Strong financial systems enable efficient allocation of resources, encourage long-term investment, and enhance resilience to economic shocks (Mainelli & Mills, 2018).

For marginalized populations, including SMEs, microfinance and community-based financial models play a vital role in promoting economic participation and reducing dependency on informal lenders (Voica, 2017).

Financial inclusion is widely recognized as a crucial instrument for advancing sustainable development across both developed and developing nations. It plays a significant role in reducing reliance on informal credit sources, such as money lenders (Voica, 2017). Although there is no specific Sustainable Development Goal (SDG) solely focused on financial inclusion, access to financial services is a fundamental enabler for achieving multiple SDGs (Klapper, El-Zoghbi, and Hess, 2016). Economic growth efforts aim to connect previously excluded individuals or households with financial service providers, helping bridge this gap. Financial inclusion is essential to achieving the SDGs, as it drives social inclusion, which is also a cornerstone of sustainable development.

A robust financial system supports SDGs by facilitating fund exchanges among diverse investors, lenders, and borrowers, thereby promoting trade and economic interaction (Mainelli and Mills, 2018). Strong financial systems encourage long-term investment, foster development and economic growth, and contribute to resilience against economic shocks. Prioritizing financial inclusion not only establishes the socio-economic conditions needed to meet SDGs but also complements other SDG priorities without diverting resources (Klapper, El-Zoghbi, and Hess, 2016).

Financial inclusion advances sustainable development for marginalized groups or individuals with limited financial access, often through microfinance (ibid.). Microfinance can take various forms, including association models based on shared religious, political, or cultural backgrounds, as well as community banking initiatives supported by NGOs (Voica, 2017).

### ***2.2.3 Determinants of Financial Inclusion***

Barriers to financial inclusion arise from both supply-side and demand-side factors, with demand-side constraints often exerting a stronger influence in developing countries (Ramakrishna & Trivedi, 2018).

### *2.2.3.1 Supply Side Factors*

Limited physical infrastructure, high transaction costs, and the urban bias of financial institutions restrict access, particularly in rural areas (Tambunlertchai, 2018). High costs associated with opening and maintaining accounts further exclude low-income populations (Mohamed et al., 2017). Improved infrastructure and lower transactional costs are therefore positively associated with increased financial inclusion.

The available infrastructure and services that differentiate between areas being rural or urban affect people's saving behavior because of the accessibility of financial institutions (Tambunlertchai, 2018). Living in the urban areas ensures there is efficiency in terms of public transport system which contributes to financial inclusion.

Transaction costs that involve opening and maintaining a bank account is also seen as a barrier to financial inclusion of low-income groups (Mohamed, Muturi and Samantar, 2017). Lower transactional costs have a positive impact on financial inclusion for the unbanked population.

### *2.2.3.4 Demand Side Factors*

Demand-side barriers include low income levels, limited financial literacy, age, and education. While income alone may not determine financial inclusion, poorly designed financial products that do not meet user needs significantly limit uptake (Zeil & Wins, 2016; Clamara et al., 2014). Empirical studies suggest that education and financial literacy often have a stronger influence on inclusion than geographic location alone (Wentzel et al., 2016).

According to Zeil and Wins (2016), it is important to note that the level of income is largely defined by other social factors such as age. Households and individuals that are located either in rural areas or remote parts of town are subject to financial exclusion which ultimately affects their livelihoods (Clamara, et al, 2014). Income may not always be a clear determinant of financial inclusion but financial services that do not fit the needs of the individuals may be a determinant.

Chipeta and Kanyumbu (2018) highlight that age does not have an effect on the access to banking services in their study which investigated the factors that affect access to banking services in Kenya. Clamara, et al,(2014) 35 highlights that age does have an effect on financial inclusion but not more significant than income levels because it is often related to documentation needed to open a bank account and that varies from country to country.

### **2.3 National Strategies for Financial Inclusion (NSFIs)**

Malawi has implemented three National Strategies for Financial Inclusion (NSFI I–III), each reflecting evolving priorities:

- NSFI I (2010–2014): Expanded access points, increasing inclusion from 45% to 49%.
- NSFI II (2016–2022): Emphasized digital finance, raising inclusion to 88% by 2023.
- NSFI III (2024–2028): Focuses on savings, investment, and wealth creation, targeting 95% inclusion by 2028. These strategies highlight the central role of MSMEs in driving financial inclusion and economic growth, though persistent rural–urban and gender disparities remain evident (FinScope Malawi, 2023).

#### ***2.3.1 NSFI I – 2010-2014***

Aimed at expanding access points. Financial inclusion levels rose from 45% in 2008 to 49% in 2014. The main objective of NSFI I was to develop an inclusive financial system aligned to wider financial sector development programs and policies that had been developed then.

#### ***2.3.2 NSFI II – 2016-2022***

Focused on adoption of digital financial services. Financial inclusion level rose from 49% in 2014 to 88% in 2023. NSFI II was built on the successes of the first Strategy, with the goal of increasing formal financial inclusion in Malawi from 34% (FinScope Consumer Survey Malawi, 2014) to 55% by 2020, and reducing financial exclusion from 51% to 26% so as to support growth and improve household welfare.

The implementation of these two strategies (NSFI I & II) has shown that financial inclusion has the potential to boost overall economic growth by facilitating intermediation of savings; providing access to loans to support the creation of Micro, Small, and Medium (MSMEs) enterprises; and facilitating access to insurance for increased resilience against shocks in both urban and rural areas. According to Malawi FinScope Consumer Survey 2023, access to formal financial services is currently at 74% whilst access to both formal and informal services is at 88%. Access to formal financial services among rural residents is standing at 67% compared to 93% in the urban areas. In terms of gender, 82% of adult males have access to formal financial services compared to 69% of females.

NSFI II identifies four strategic priorities namely,

- (a) Creation of a financially capable population to demand financial services
- (b) Increase demand for financial services by creating a strong MSME sector
- (c) Creation of strong and innovative financial services providers
- (d) Enhanced legal and regulatory environment and implementation mechanisms.

The implementation of these two strategies (NSFI I & II) has shown that financial inclusion has the potential to boost overall economic growth by facilitating mobilization of savings and the provision of credit which in turn support the Micro, Small, and Medium Enterprises (MSMEs) in both urban and rural areas. Implementation of these two strategies has had a profound impact on those segments that were excluded from the financial system.

### ***2.3.3 NSFI III – 2024-2028***

Launched on 9<sup>th</sup> August 2024 which focuses on promoting savings, investments, and wealth creation in line with the country's Vision 2063. The goal is to increase access to at least one formal financial service to 95% of the country's adult population by 2028 and reduce financial exclusion from 12% to 5%.

NSFI III identifies the following four strategic priorities, namely:

- a. Creation of a financially capable population to demand and use various financial services
- b. Increased demand for financial services by creating a strong MSME sector
- c. Creation of strong and innovative financial service providers
- d. Enhancement of the legal and regulatory environment and implementation mechanisms

#### **2.4 MSME Sector and Access to Finance**

Across Africa and in Malawi, MSMEs form the backbone of the private sector, contributing significantly to employment creation, income generation, and poverty reduction. In Malawi, MSMEs dominate sectors such as agriculture and trade but are largely necessity-driven, which limits growth potential and sustainability.

In Malawi, the findings by the comprehensive 2012 Fin Scope MSME survey that 1,050,320 people were employed by just around 41% of the country's MSMEs also attest to the pivotal role of SMEs in the domestic economy. The contribution of small and medium scale businesses to socio-economic growth and development of nations takes many forms including boosting public revenue collections through various forms of taxation, provision of goods and services to the general public and, more importantly, poverty alleviation through creation of employment and economic empowerment of citizens. This is not an exception in Malawi considering that the private sector is dominated by MSMEs, going by the definition in the draft Micro, Small and Medium

Enterprises Policy. The draft policy for Malawi categorizes MSMEs as follows:

*Table 1: Proposed Official Working Definition of MSMEs in Malawi*

<b>Enterprise Size</b>	<b>Number of Employees</b>
Micro	1 to 4
Small	5 to 20
Medium	21 to 100
Large	100+

MSME Policy Strategy for Malawi, Ministry of Industry and Trade The 2012 Fin Scope MSME survey, which represents the single most comprehensive study done in the MSME sector in recent years, also showed that 30% of small scale businesses are involved in the selling of agricultural products as most MSME are linked in some way to the agricultural sector. 23% are involved in general trading and vending. Of much concern to policy makers and the economy was the general finding that most MSMEs are necessity driven. Owners venture into business just to supplement off farm income not as a result of responding to opportunities in the economic environment or with a strategy to see their businesses grow into sustainable ventures. As a result, most businesses are seasonal and tend to follow the cycle of death and resurrection any time there is need or a shortfall from agricultural income. Resultantly, most business owners were found to be very much willing to abandon businesses and go into formal employment whenever that opportunity is available. Undoubtedly, this should be an area that require addressing by state institutions and agencies involved in championing the growth and vibrancy of Malawi private sector. Rather than going into businesses as a temporary shelter waiting for employment opportunities, there is need to change the mindset towards venturing into businesses as the ultimate goal and formal employment as temporary Cognizant 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 the small scale businesses. Notable efforts that successive Governments have taken in the past and present

include establishment of such institutions as Malawi Rural Finance Company (MRFC), Malawi Industrial Research and Technology Development Centre (MIRTDC), Malawi Investment Promotion Agency (MIPA), Small Enterprises Development Organization of Malawi (SEDOM), Development of Malawian Entrepreneurs Trust (DEMAT), Malawi Entrepreneurs Development Institute (MEDI), Youth Enterprises Development Fund (YEDF), Malawi Rural Development Fund (MARDEF), and recently, Malawi Enterprises Development Fund (MEDF) and Small and Medium Enterprises Development Institute (SMEDI). Generally, all these institutions were established to provide technical and financial support towards the SME sector. On their part, the MSMEs have also been reorganizing themselves by forming associations, prominent ones being National Association for Small and Medium Enterprises (NASME), National Association of Business Women (NABW), Small and Medium Enterprises Association (SMEA), among others. Challenges along the way in the operations of the above listed public sector institutions have been detected and acknowledged by authorities such that mergers, restructuring and re-organizations taking various forms have followed over the years with a goal to enhance their efficiency. Whether such strategies have been successful to the benefit of the targeted MSMEs is outside the scope of this study.

#### ***2.4.1 Contribution of SME to Economic Growth***

Global and regional studies consistently identify limited access to finance and high interest rates as major constraints to SME growth (Fjose et al., 2010; Ayyagari et al., 2003). While SMEs account for the majority of firms in developing economies, their contribution to economic growth varies across contexts and income levels. Evidence from Africa suggests that SME financing positively influences growth, although high borrowing costs dampen investment and expansion (Onakoya et al., 2013).

Fjose, S., Grunfeld, L., Green, C. (2010) acknowledge that almost all firms in developing countries fall in the category of SMEs. In fact they present that ‘99 percent of all firms in developing countries are SMEs’. However, they further argue that despite this important revelation as well as the substantial amount of work ‘written about the significance of

SMEs to developing economies, there is very limited evidence in the literature on the contribution of SMEs to economic growth' (Fjose et al, 2010:12).

A working paper by Ayyagari, Beck & DemirgucKent (2003) on the other hand, shows a positive correlation between GDP per capita and SMEs' contribution to employment and GDP. Their conclusion is that the importance of SMEs to the overall economy depends on the level of affluence of the country: the wealthier an economy is, the more important are the SMEs to the overall economy. Juxtaposing this finding with the preceding assertion by Fjose et al, one is likely to conclude that although SMEs are perceived to play a critical role in putting the economy on a growth trajectory, the relationship might not be that clear-cut and the magnitude of contribution to overall growth might differ from economy to economy.

Chief among the external constraints to SME growth widely cited in literature is limited access to business financing. In response to such challenges, many Governments have tirelessly worked on establishing other mechanisms of financing SMEs away from commercial banks, whose interest rates and loan conditions are usually unattractive. Nigeria remains one of such countries that have pursued other schemes to widen SME access to finances.

However, a study by Azende (2011) reported no significant difference between the levels of access to financing from commercial banks and from the other avenues, prominently the equity investment schemes. In his analysis, the percentage of loans to SMEs to the total loans extended to all businesses were used and a paired sample t-test was employed to compare the significance of commercial bank loans before and after the introduction of equity investment schemes.

The study was done in the two states of Benue and Nassarawa and secondary data extracted from 1993 to 2008 period was utilized for the analysis. A related crucial debate in business and economics literature, of which conclusions have always been made to be negative, is the relationship between interest rates and economic growth. It is a generally and widely held view that high interest rates restrict the levels of borrowing, not only by SMEs, but the whole spectrum of the private sector.

A study by Hansen and Seshadri (2013) on Social Security Trust Funds in the United States of America revealed a correlation of -0.20 between real interest rates and GDP growth. The study employed both vector auto regressions and non-parametric weighting in its estimation and both methods yielded similar results.

A data series spanning 111 years was constructed and the measurement of the robustness of the estimations was extended to sub-samples. In another study on the impact of financing small scale enterprises on economic growth in Nigeria, Onakoya, Fasanya & Abdulrahman (2013) used quarterly time series data from 1992 to 2003 to estimate the relationship between financing and growth as well as interest rates and growth.

The findings showed that loans extended to SMEs exhibited a positive impact on economic performance of Nigeria while interest rates displayed a negative impact on growth. From the preceding statement, it can be concluded that the levels of loans extended to the Nigerian small scale entrepreneurs and the prevailing interest rates were growth-enhancing implying that other challenges other than access to finance were the justified courses of action to be pursued in promoting small scale businesses in Nigeria. Such kind of studies are crucial as they form a basis for the development of well-focused policy interventions in addressing SME challenges in the midst of an endless list of bottlenecks.

This paper, therefore, tries to provide an objective answer to two but related questions as to whether the loans market for SMEs in Malawi has been too restrictive and hence growth-retarding. Further, the paper answers the common debate as to whether interest rates have been too prohibitive to have a significant dampening effect on the economic growth prospects for Malawi. Studies that might have led to widely held conclusions about these two variables have used subjective methodologies yet measurement of impact on growth is complex and an objective quantitative tool is ideal for such topics, hence this paper.

#### ***2.4.2 Constraints and Challenges Faced by SME in accessing Finance***

SMEs face both external and internal constraints, including unfavourable macroeconomic conditions, high interest rates, limited collateral, weak managerial capacity, and low financial literacy (Kalaile, 2016).

In Malawi, lenders' risk aversion and limited engagement with SME associations further constrain access to finance. These challenges limit SME growth, competitiveness, and internationalization prospects. Two major sets of impediments to the success of SMEs are outlined:

a. The first one is environmental and the other set is the internal and personal constraints of the entrepreneurs that stem from an education system that does not nurture entrepreneurship from the formative years. Malawi has a tough macroeconomic environment that is characterized by high inflation rates according to data released by National Statistics Office, high interest rates, shallowness of the market where there is a very small middle class with disposable income and very weak industrial and corporate sector and very heavy dependence on a single client, the government.

b. Kalaile (2016) further argues that most entrepreneurs fail to grow their business due to management inability to acquire knowledge of financial management, computer literacy and understanding of the legal system, tax system, human resource management and any number of technical systems related to the industry that the business is in. Growth challenges for SMES still exist. Small and Medium Enterprises Association of Malawi (SMEA) argues that SMEs still face challenges like access to finance, high borrowing costs and the requirements by lenders to ask for provision of collateral. Mobile collateral like cars are not accepted as well by most lenders. Furthermore, banks are reluctant to use SMEA as guarantor for finance advanced to SMEs. It is further argued that banks do not divulge reasons for refusing granting loans to SMEs for professional reasons and this does not help the SMEs as it is not possible for applicants to know where they need to improve.

SMEA further claims that banks do not partner with SMEs associations, do not fully understand the operations of the SMEs, favour to provide short term finance and give very little attention to SMEs as they are assured of big businesses from big players like the government, international organizations and large firms. Evidence has shown that when SMEs become internationalized, particularly when they start exporting to foreign markets, their contribution to their home economy increases. For this to happen, substantial barriers need to be overcome.

SMEs can face difficulties in financing international activity, identifying opportunities and making appropriate contacts in their target markets (Wymenga et al., 2012).

### *2.4.3 SMEs and Economic Development in Africa*

Across Africa, SMEs play a pivotal role in employment creation and poverty reduction, contributing over 50% of employment and approximately 33% of GDP in sub-Saharan Africa (African Development Bank, 2020). However, access to finance remains one of the most significant barriers to SME growth, particularly in low-income countries such as Malawi.

#### *2.4.3.1 Constraints Faced by SMEs in Accessing Finance*

SMEs are the future of any economy hence there is a lot of interest in their development by governments, international organizations and the community. SMEs require finance for working capital and business expansion operations. Various commentators across the world have debated some of the constraints that SMEs face in accessing finance to develop their operations. There is a significant shortage of investment capital for SMEs in developing countries including Malawi. In Africa, SME growth is constrained by lack of business acumen. Scarborough (2013) contends that SMEs face the disadvantage of uncertainty of income as there is no guarantee that the SME will earn enough money to survive. Scarborough (2013) further argues that SMEs owners carry the risk of losing their entire investment; the need to endure long hours and hard work; the likelihood to experience a lower quality of life until the business gets established. In addition, Scarborough (2013) states that SME owners face high levels of stress as failure of business might mean total ruin and anxiety. They also face discouragement and disillusionment in their businesses.

#### *2.4.3.2 Challenges Faced by SMEs in Malawi and Africa*

Across Africa, the challenges facing SMEs are multifaceted. Key issues include:

- **Limited Access to Finance:** Many SMEs in Malawi, as well as other African countries, struggle to access capital from formal financial institutions due to high-interest rates, collateral requirements, and limited access to formal banking services. In Malawi, SMEs often rely on informal financing mechanisms, which are inefficient and inadequate for business expansion (Chipeta, 2014).
- **Poor Financial Literacy:** The lack of financial literacy is a pervasive issue, leading to poor financial management and business decision-making. Studies from other African countries have shown that SMEs often lack basic financial management skills, hindering their ability to effectively utilize available financial resources (Mutambara & Ncube, 2017).
- **Regulatory and Structural Barriers:** Weak regulatory frameworks and inefficient institutional structures in many African countries, including Malawi, create additional barriers for SMEs seeking to formalize their operations or access government support programs (Schoof, 2006).

These challenges contribute to high failure rates among SMEs and hinder their contribution to broader economic development.

#### *2.4.4 Financial Support Programs for SMEs in Africa*

Across Africa, financial support programs such as FInES (Malawi), MSME Fund (Kenya), and AfDB initiatives aim to improve access to finance and capacity building. While these programs demonstrate positive outcomes, challenges such as fund misuse, repayment difficulties, and exclusion of informal enterprises persist—reinforcing the need for effectiveness evaluations.

To address these challenges, numerous financial support programs have been implemented across Africa. These initiatives typically aim to improve access to finance, increase financial literacy, and enhance the business acumen of entrepreneurs. A few notable examples include:

- **The FINES Project in Malawi:** The FINES project in Malawi is specifically designed to enhance financial inclusion for smallholder farmers and rural SMEs. The project partners with local financial institutions to offer tailored financial products, such as microloans and grants, to underserved businesses. It also incorporates training in financial literacy to ensure that recipients can effectively manage their finances and grow their businesses. Moreover, it has led to increased business sustainability by facilitating investments in critical infrastructure and business development. However, challenges such as repayment rates and the continued financial exclusion of the most vulnerable SMEs, such as informal micro-businesses, remain a concern.
- **The Micro, Small and Medium Enterprise (MSME) Fund in Kenya:** Kenya's government, in collaboration with international development partners, launched the MSME Fund to address financial exclusion among SMEs. The fund has provided affordable loans and grants to small businesses, with a focus on women and youth entrepreneurs. A key lesson from this initiative is the importance of creating an enabling regulatory environment that ensures the sustainability of financial products and services. According to the World Bank (2018), SMEs that received support from the MSME Fund experienced growth in both sales and employment, particularly in sectors such as manufacturing and agriculture. However, many SMEs still report difficulty accessing the fund due to stringent eligibility criteria and the lack of collateral.
- **The African Development Bank's (AfDB) Boosting Intra-African Trade (BIAT) Initiative:** The AfDB has launched several financial support programs aimed at promoting intra-African trade and supporting SMEs across the continent. The BIAT initiative aims to provide financial and technical support to SMEs to enhance their trade capacities and market access. By improving financial services and promoting regional integration, the initiative helps SMEs gain access to international markets. According to AfDB (2021), SMEs that participated in the BIAT initiative saw increased export capacity and higher revenues from cross-border trade. Nevertheless, financial barriers remain, with SMEs in less developed regions of Africa facing more significant challenges in accessing trade finance.

- **The West Africa SME Program (WASP):** The West Africa SME Program is another example of an initiative designed to enhance access to finance for SMEs in sub-Saharan Africa. WASP provides SMEs with financial support, capacity building, and access to technology. The program has had notable success in countries like Ghana and Nigeria, where it has helped SMEs access credit and improve their productivity. However, challenges such as limited financial literacy, high operational costs, and inadequate infrastructure continue to affect the effectiveness of the program in rural areas (Ghali, 2019).

## **2.5 Theoretical Framework**

### ***2.5.1 Public Good Theory of Financial Inclusion***

The Public Good Theory conceptualises financial inclusion as a good that generates widespread social benefits and therefore justifies public intervention (Samuelson, 1954; Stiglitz, 1999). Under this perspective, access to formal financial services is regarded as a resource that should be accessible to all members of society, as its provision to one individual does not necessarily reduce availability to others. The theory emphasises non-rivalry and partial non-excludability, particularly where financial services generate positive externalities such as economic growth, poverty reduction, and social inclusion (Musgrave, 1959; Mainelli & Mills, 2018).

Applied to financial inclusion, the theory advocates for broad access to affordable formal financial services, including transaction accounts, payments systems, credit, and savings instruments (Demirgüç-Kunt et al., 2018). From this standpoint, policies such as subsidised transaction accounts, low-cost digital payments, and government-supported access to automated teller machines (ATMs) can be justified, particularly where market forces alone fail to serve low-income individuals and small businesses (Klapper et al., 2016). Governments may therefore play a facilitating role by subsidising or incentivising financial institutions to extend services to underserved segments.

The theory presents several advantages. First, it asserts that financial inclusion yields economy-wide benefits irrespective of users' socioeconomic status, including improved

resource allocation and enhanced economic participation (Stiglitz, 1999). Second, it highlights the role of government in subsidising or supporting access to finance where private provision is insufficient. Third, it underscores the responsibility of public institutions in promoting inclusive financial systems as part of national development strategies (World Bank, 2017).

However, Public Good Theory also has notable limitations when applied to financial inclusion. Critics argue that it does not adequately address the structural and behavioural causes of financial exclusion, such as low financial literacy, informality, and trust deficits (Beck et al., 2007). In addition, sustained subsidies may exert pressure on public finances, potentially crowding out other development priorities. The assumption that financial services can be provided at low or zero cost may also undermine the long-term sustainability of inclusion initiatives if pricing does not reflect operational realities (Cull et al., 2014).

#### *2.5.1.1 Application of Public Good Theory to the FInES Project and SMEs in Malawi*

Public Good Theory provides a useful lens for understanding state- and donor-led financial inclusion interventions in Malawi, particularly the Financial Inclusion and Entrepreneurship Scaling (FInES) Project. In developing economies, financial markets often underprovide credit to SMEs due to information asymmetries, collateral constraints, and high perceived risk (Stiglitz & Weiss, 1981). In such contexts, public intervention is justified to correct market failures and unlock broader economic benefits.

#### **(a) Bridging Market Gaps in Access to Finance**

In Malawi, SMEs face persistent barriers to accessing formal finance, including high interest rates, stringent collateral requirements, and risk aversion among commercial banks (Chilima, 2022; Nkuna et al., 2021). From a public good perspective, expanding SME access to finance generates positive externalities such as entrepreneurship development, employment creation, income generation, and economic diversification (Ayyagari et al., 2007). Public interventions such as the FInES Project, implemented by the Reserve Bank

of Malawi with support from development partners, are therefore justified as mechanisms for addressing market gaps and extending financial services to underserved but economically significant sectors (World Bank, 2020).

### **(b) Positive Spillover Effects**

Financial support to SMEs under the FInES Project produces spillover benefits that extend beyond individual firms. Increased SME activity contributes to business formalisation, tax revenue mobilisation, and local economic development (Beck & Demirgüç-Kunt, 2006). Employment creation further enhances household welfare and reduces poverty, while SME expansion stimulates demand for local inputs and services, generating multiplier effects across the economy (OECD, 2017). These spillovers reinforce the classification of SME financial support as a quasi-public good aligned with Malawi's long-term development goals, including Malawi Vision 2063.

### **(c) Reducing Structural Inequalities**

The FInES Project deliberately targets women-owned and youth-owned enterprises, groups that are historically marginalised in financial markets (World Bank, 2017). Supporting these groups aligns with the redistributive dimension of Public Good Theory, whereby public intervention promotes equity and inclusive participation in economic opportunities. In this context, the Government of Malawi and the Reserve Bank of Malawi act as agents of redistribution, correcting structural inequalities that market-based financial systems often reinforce (Stiglitz, 1999).

### **(d) Institutional Support as a Public Good**

Beyond credit provision, the FInES Project offers business development services (BDS), including entrepreneurship training, financial literacy programmes, and mentorship. Such services exhibit characteristics of public goods, particularly where knowledge and skills are disseminated through group-based or publicly funded platforms (Romer, 1990). The benefits of enhanced managerial and financial capabilities extend beyond individual SME owners to employees, communities, and the wider entrepreneurial ecosystem, reinforcing the public value of institutional support.

### **(e) Risk-Sharing and Guarantee Mechanisms**

A key component of the FInES Project is the Partial Credit Guarantee Scheme, under which the government shares lending risk with participating financial institutions. Risk-sharing mechanisms reduce lenders' exposure and incentivise credit provision to SMEs that would otherwise be excluded (Honohan & Beck, 2007). Such schemes function as quasi-public goods by improving systemic access to finance and strengthening financial sector resilience.

### **(f) Enhancing National Economic Resilience**

In economies vulnerable to external shocks—such as pandemics, climate-related disasters, and global market volatility—supporting SMEs enhances national economic resilience (OECD, 2020). By promoting enterprise diversification, local value addition, and employment generation, financial support to SMEs under FInES contributes to macroeconomic stability and inclusive growth. Since these benefits accrue to society at large, public investment in SME finance is consistent with the core principles of Public Good Theory.

In summary, the application of Public Good Theory to the FInES Project provides a strong theoretical justification for public and donor-supported financial interventions in Malawi's SME sector. By addressing market failures, promoting inclusive growth, and generating positive spillovers, the FInES Project exemplifies how public goods—such as access to finance, knowledge, and risk mitigation—can be strategically deployed to support private sector development and national economic transformation. This theoretical perspective therefore underpins the rationale for evaluating the effectiveness and sustainability of financial support initiatives targeting SMEs in Malawi.

## **2.6 Conceptual Framework**

This study is anchored in a conceptual framework that integrates both demand-side and supply-side factors to assess the effectiveness of the Financial Inclusion and

Entrepreneurship Scaling (FInES) project in supporting SME development in Lilongwe District, Malawi.

The framework is developed around three primary research questions:

- *Assessing awareness of the FInES project among local SMEs,*
- *Analyzing the effectiveness of FInES in supporting SME development, and*
- *Identifying challenges faced by SMEs in accessing and utilizing FInES funds.*

The framework begins with awareness, a critical demand-side factor, which determines whether SMEs are informed enough to consider applying for financial support. Without sufficient awareness, participation in the FInES project remains low, regardless of how accessible the funding is.

Access and utilization of FInES funds is the next component, shaped by both demand-side capacities (such as documentation readiness, financial literacy, income levels) and supply-side mechanisms (such as fund availability, loan conditions, institutional efficiency, and outreach). Accessibility is not just about availability but also about the ability of SMEs to meet eligibility criteria and understand financial processes.

Challenges in access and utilization then emerge from these interactions. From the demand side, SMEs may struggle with low literacy, lack of collateral, or poor financial management skills. On the supply side, institutions may impose rigid loan terms, complicated application procedures, or limited outreach in rural areas. These challenges feed back into access and utilization, creating a cyclical barrier to effective financial inclusion.

The combined influence of these variables ultimately shapes the effectiveness of the FInES project, measured through outcomes such as:

- Business growth,
- Improved access to formal finance,
- Job creation,
- SME sustainability and resilience.

This conceptual framework further highlights how various demand- and supply-side factors influence each other:

- Income: a demand-side factor is a core determinant of access to and utilization of financial services. Lower-income SME owners may struggle to open and maintain accounts or cover transaction costs.
- Income disparities also interact with supply-side factors such as rural–urban differentiation. SMEs in rural areas often face not only lower incomes but also weaker access to quality financial services.
- The level of education, another demand-side factor, influences financial literacy, which in turn affects SMEs' confidence and ability to engage with financial institutions.
- Location is a strong supply-side determinant of the quality and extent of services offered. In areas with limited telecommunication infrastructure, even digital financial solutions may be inaccessible, despite their availability in urban centers.

These dynamics show that supply must be responsive to demand: offering services that SMEs are either unaware of, unable to understand, or incapable of using due to structural constraints will render support ineffective.

This framework not only guides the thematic analysis of the study but also shapes the:

- Formulation of research questions,
- Design of data collection tools (interview guides, questionnaires),
- Organization of findings (by demand and supply dimensions).

By distinguishing between supply-side interventions (such as access to credit, capacity-building support, and digital financial services) and demand-side characteristics (such as SME literacy, awareness, motivation, and location), the framework enables a structured, evidence-based evaluation of FInES.

It also facilitates identification of misalignments between what is provided and what is needed. For example, mismatched loan conditions, inflexible eligibility criteria, or

insufficient outreach efforts may limit the uptake of otherwise valuable interventions. Similarly, inadequate skills or poor awareness may render SMEs unable to benefit from what is offered.

In summary, this conceptual framework offers a systematic lens through which to assess the interplay between awareness, access, utilization, and outcomes in the FInES project. It recognizes that effective financial inclusion is not only about the existence of support but also about how well that support aligns with the lived realities and capacities of SMEs. By anchoring the study within this framework, the research can produce context-sensitive insights that are critical for improving the design, delivery, and impact of financial inclusion programs in Malawi and similar contexts. This study is guided by a conceptual framework that integrates demand-side and supply-side perspectives of financial inclusion to assess the effectiveness of the Financial Inclusion and Entrepreneurship Scaling (FInES) project in supporting SME development in Lilongwe District, Malawi. The framework is informed by established financial inclusion and development theories, particularly the Public Good Theory of Financial Inclusion, Access Theory, and empirical literature on SME finance in developing economies.

At its core, the framework responds to three key research questions:

1. Assessing the level of awareness of the FInES project among local SMEs;
2. Examining the effectiveness of FInES in supporting SME development; and
3. Identifying challenges faced by SMEs in accessing and utilizing FInES funds.

### ***2.6.1 Demand-Side Factors***

On the demand side, the framework emphasizes SME awareness, knowledge, capacity, motivation, income levels, education, and location as critical determinants of participation in financial inclusion programmes. Consistent with Access Theory, awareness is positioned as the entry point to financial inclusion, as SMEs cannot access or utilize financial services that they do not know exist. Limited awareness therefore constrains uptake regardless of the availability of financial products.

SME capacity—reflected in financial literacy, documentation readiness, and managerial skills—further influences the ability to meet eligibility requirements and effectively utilize funds. Literature on SME finance highlights that low levels of education and income often reduce confidence and engagement with formal financial institutions, particularly in developing countries where informal business practices dominate.

### *2.6.2 Supply-Side Factors*

On the supply side, the framework incorporates financial institutions, policy design, institutional efficiency, loan conditions, outreach strategies, and infrastructure availability. Drawing from financial intermediation theory, these factors shape the accessibility, affordability, and suitability of financial services offered to SMEs. Even when funds are available, restrictive loan terms, complex application procedures, limited institutional outreach, or weak digital and physical infrastructure can significantly limit access, especially for rural and peri-urban SMEs.

Location plays a dual role within the framework. While it influences demand-side capacity, it is also a supply-side determinant affecting the quality, frequency, and cost of financial service delivery. SMEs in rural areas often face compounded disadvantages due to both weaker demand-side capacity and limited supply-side presence.

### *2.6.3 Access, Utilization, and Challenges*

The interaction between demand- and supply-side factors determines access to and utilization of FInES funds. Challenges emerge where misalignments exist between what SMEs need and what financial institutions provide. On the demand side, barriers may include low financial literacy, lack of collateral, or weak record-keeping. On the supply side, challenges may include rigid eligibility criteria, delayed processing, or insufficient support services.

These challenges are conceptualized as feedback mechanisms, reinforcing barriers to access and utilization and potentially undermining the intended impact of financial inclusion initiatives. This cyclical relationship reflects findings in the literature that

financial exclusion is often sustained by both structural and institutional constraints rather than by a single factor.

#### ***2.6.4 Effectiveness and Outcomes***

The ultimate outcome of these interactions is the effectiveness of the FInES project in supporting SME development, which in this study is assessed through four key indicators:

- Business growth,
- Improved access to formal finance,
- Job creation, and
- SME sustainability and resilience.

These outcomes align with broader development frameworks and empirical studies that link financial inclusion to enterprise performance, employment generation, and long-term economic resilience.

#### ***2.6.5 Role of the Framework in the Study***

This conceptual framework provides a structured lens for analyzing the FInES project by:

- Guiding the formulation of research questions;
- Informing the design of data collection tools (questionnaires and interview guides);
- Organizing the analysis and discussion of findings along demand-side and supply-side dimensions.

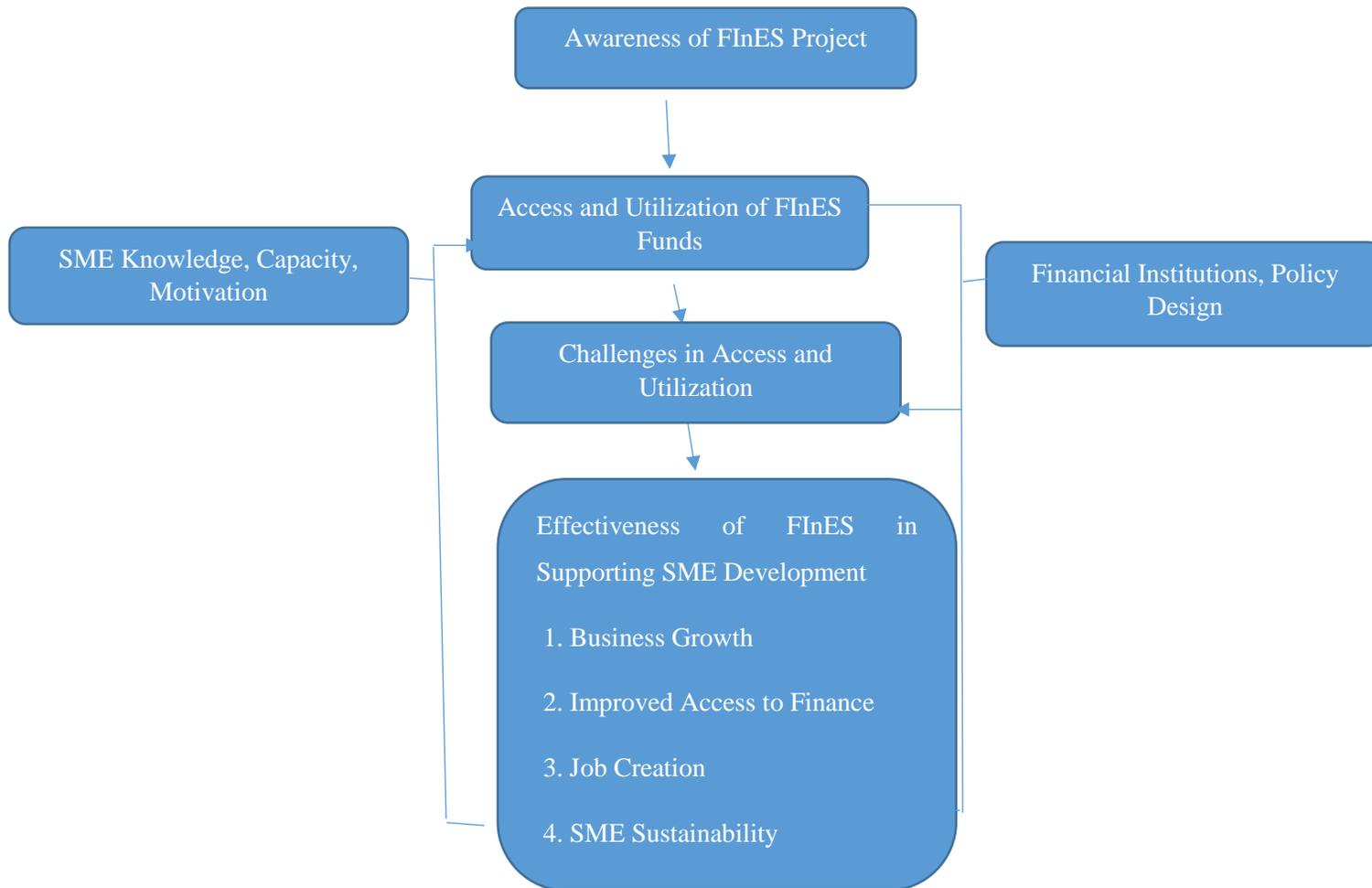
By explicitly distinguishing between what is supplied and what is demanded, the framework enables identification of misalignments—such as suitable financial products that are poorly communicated, or motivated SMEs that are constrained by institutional barriers. These insights are critical for improving the design, delivery, and targeting of financial inclusion interventions.

In summary, the conceptual framework recognizes that effective financial inclusion is not merely about the availability of funding but about the alignment between institutional

supply mechanisms and the lived realities, capacities, and constraints of SMEs. Anchoring the study within this framework strengthens its analytical rigor and enhances its relevance for policy and practice in Malawi and similar developing country contexts.

**DEMAND- SIDE FACTORS**

**SUPPLY-SIDE FACTORS**



*Figure 1: Diagram showing the conceptual framework (own construction)*

## **2.7 Conclusion**

This chapter reviewed global, regional, and national literature on financial inclusion and SME development, highlighting persistent access constraints and the growing role of targeted financial support programmes. By situating the FInES Project within broader financial inclusion discourse, the chapter establishes a strong theoretical and empirical foundation for assessing its effectiveness. Chapter 3 presents the research methodology.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Osuala (2005) defines research design as the systematic arrangement of the various components of a study in a logical and coherent manner to effectively address the research problem. Block et al. (2014) further note that research design coordinates data collection, analysis, and interpretation while maintaining a clear link to the research objectives and questions. This chapter outlines the research approach, design, population, sampling techniques, data collection instruments, data analysis procedures, ethical considerations, and limitations adopted in assessing the effectiveness of financial support to SMEs under the FInES Project in Malawi.

#### **3.2 Research Approach**

The study adopted an inductive research approach. Inductive reasoning involves moving from specific observations to broader generalisations and is particularly suitable for exploratory research where the aim is to generate insights from empirical data rather than to test predetermined hypotheses (Creswell & Poth, 2018). Given the limited empirical evidence on the effectiveness of the FInES Project at the SME level in Malawi, the inductive approach enabled the researcher to identify patterns, relationships, and themes emerging from participants' experiences. This approach supported an in-depth understanding of financial inclusion dynamics, access to finance, and challenges faced by SMEs.



*Figure 2: Induction Approach*

### **3.3 Research Design**

A qualitative research design was employed in this study. Qualitative research is appropriate where the objective is to gain an in-depth understanding of perceptions, experiences, and meanings attached to a phenomenon (Denzin & Lincoln, 2018). The qualitative design allowed the researcher to explore how SMEs and key institutional stakeholders perceive the effectiveness of the FInES Project, how funds are utilised, and the challenges encountered in accessing financial support. This design aligns with the exploratory nature of the study and complements the inductive approach by facilitating theory-informed interpretation of findings.

### **3.4 Study Location**

The study was conducted in Lilongwe District, covering both urban and rural areas where FInES beneficiary SMEs operate. Data from Reserve Bank of Malawi (RBM) officials and World Bank officials were collected from their respective offices in Lilongwe.

### **3.5 Population / Study Participants**

The study population comprised FInES beneficiary SMEs, RBM officials, and World Bank officials involved in financial inclusion and SME financing initiatives. These groups were selected due to their direct involvement in the design, implementation, regulation, and utilisation of the FInES Project. population is an entire group that the researcher drew conclusion about. The population consisted of the FInES beneficiaries or the local masses, RBM officials and World Bank officials.

### **3.6 Study Period**

The study was conducted between February 2025 and May 2025. Data collection took place in February 2025, data entry and preliminary analysis in March 2025, report writing in April 2025, and final submission in January 2026.

### **3.7 Sample Size**

The study utilised a sample size of 20 respondents. In qualitative research, sample size is determined by the depth of information required rather than statistical representativeness (Guest et al., 2006). The selected sample size was considered adequate to achieve data saturation, where additional interviews were unlikely to yield substantially new insights. The sample included SME beneficiaries and key institutional stakeholders with in-depth knowledge of the FInES Project, ensuring that the data collected was rich, relevant, and aligned with the study objectives.

### **3.8 Sampling Technique**

Non-probability sampling was employed, specifically purposive sampling. Purposive sampling involves deliberately selecting participants who possess specific characteristics relevant to the research objectives (Etikan et al., 2016). This technique was appropriate because the study sought respondents with direct experience in SME financing and the FInES Project.

#### **3.8.1 Purposive sampling**

Purposive sampling is also known as judgmental sampling and it was used by the researcher to concentrate on the people with particular characteristics or qualities which the researcher was looking for in order to answer the research questions. The sample may not represent the population.

The SMEs were selected purposively based on several criteria: location (specifically within Lilongwe District), business sector (including Agriculture, Manufacturing, and Tourism) and whether they had accessed financial support.

Officials from the Reserve Bank of Malawi (RBM) were selected based on their direct involvement in financial sector regulation, SME financing policy, or development finance

World Bank officials were selected based on their involvement in Malawi's private sector development and financial sector strengthening programs.

### **3.10 Method of Data Collection**

Data were collected using semi-structured questionnaires comprising both open-ended and closed-ended questions. Semi-structured questionnaires are suitable for qualitative studies as they allow flexibility while ensuring consistency across respondents (Bryman, 2016). The first section captured respondents' demographic and institutional characteristics, while the second section focused on awareness of the FInES Project, access to financial services, and challenges faced by SMEs in accessing funding.

### **3.11 Data Management Methods**

Once the data was collected through open ended and semi-structured questionnaires, it was organized in a physical file, the researcher also scanned the questionnaires and kept them in a zip file to ensure it is easily accessible. The researcher ensured data is kept confidentially and that no one has access to the stored data.

### **3.12 Data Analysis**

The qualitative data was analyzed using thematic analysis. Thematic analysis is a qualitative research method used to identify patterns and themes within data, providing a rich and nuanced understanding of a phenomenon (Braun & Clarke, 2019). The researcher examined the data by identifying common themes, topics, ideas and patterns of meaning that come up repeatedly. Thematic analysis follows a six-step process which helped the researcher avoid confirmation bias when formulating analysis. The steps are as below:

- i. Familiarization – The researcher got to know her data through reading texts and taking notes.

- ii. Coding – The researcher highlighted phrases or sentences and came up with codes to describe their content and therefore collate together all data into groups identified by the code.
- iii. Generating themes – The researcher looked at the codes to identify patterns which helped in coming up with themes which involved combining several codes into a single theme.
- iv. Reviewing themes -The researcher reviewed the themes by comparing them against the data to make them accurate.
- v. Defining and naming themes – The researcher named the themes to ensure data was easily understood
- vi. Writing up - The researcher finally wrote up the data analysis.

### **3.13 Research Dissemination Strategy**

In line with best practices for academic research, the findings of this study will be disseminated through comprehensive reporting. The initial presentation will be made to the University of Malawi, followed by submission to key stakeholders, including the World Bank and the RBM FInES Project management team. Additional dissemination methods may include policy briefs, stakeholder workshops, and publications in relevant development forums. Dissemination is critical for influencing policy, improving implementation, and driving continuous improvement in SME financing strategies. This is to ensure that the impact of the research reaches its full potential which can have a positive impact on the FInES project by persuading policy makers.

### **3.14 Ethical Clearance**

The research was conducted after getting approval from UNIMAREC (University of Malawi Research Ethics Committee) after satisfying the requirements.

The researcher sought consent from respondents before data collection and participation by respondents was done voluntarily after the researcher had given a detailed explanation of the study.

The researcher acknowledged each and every document that was used and ensured confidentiality was maintained throughout the research process.

### **3.15 Limitation**

The limitations of the study were:

Time constraints – The researcher did not have sufficient time to collect data from a large group of people. Due to the time constraints, the researcher overcame this by contacting the respondents in good time to ensure questionnaires were completed in time and the findings were not compromised.

Individual bias – The researcher overcame this by reviewing the findings with peers who were able to identify gaps in the researchers' argument needed to be addressed.

### **3.16 Risks**

There are several risks that were encountered while conducting the research. Ethical risk was encountered during the research process. This involved informed consent from the respondents. Some respondents did not fully understand what they were consenting to. It was the duty of the researcher to explain the contents of the consent in details to the respondents before commencement of data collection.

The other ethical risk that was encountered is privacy and confidentiality. The researcher ensured data that was collected was being treated with utmost confidentiality.

There may have been bias while conducting the research. The researcher ensured that there was no bias by ensuring that both women, men, youth are among the respondents. This ensured that the research was conducted ethically and responsibly while minimising potential impact.

### **3.17 Benefits of the study**

The study will be beneficial to World Bank and Reserve Bank of Malawi.

It will help in policy implementation in terms of financial inclusion projects and can serve as a model for similar projects that may be implemented in future in terms of economic impact and compliance rates. The findings will inform the policymakers at the World Bank and Reserve Bank which can help in coming up with better enforcement strategies and regulations.

The study is of importance to the researcher as it will add to the body of knowledge on financial inclusion in terms of public policy, behavioral economics and law enforcement. Publication of the research in academic journals will enhance the researcher's reputation and visibility in the field which can also open opportunities for further research funding and collaborations. The research will also help the researcher to enhance skills in data collection, data analysis and critical thinking which is key in professional development.

### **3.18 Conclusion**

This chapter has presented and justified the methodological framework adopted to assess the effectiveness of financial support to SMEs under the FInES Project in Malawi. It outlined the inductive research approach and qualitative research design, the study location, population, sampling techniques, and sample size, as well as the data collection instruments and thematic analysis procedures employed. The chapter also discussed data management methods, ethical clearance, limitations, risks, and the anticipated benefits of the study to key stakeholders and the researcher. Collectively, these methodological choices were carefully aligned with the study objectives and ensured credibility, ethical integrity, and analytical depth. The methodology therefore provides a sound foundation for the presentation, analysis, and discussion of findings in the subsequent chapter.

## **CHAPTER 4**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents and discusses the findings of the study, guided by the study objectives: (i) assessing awareness of the FInES Project, (ii) analysing its effectiveness in supporting SME development, and (iii) identifying challenges faced by SMEs in accessing and utilising FInES funds. The discussion is anchored in the Public Good Theory of financial inclusion and existing empirical studies on SME financing and financial inclusion in developing economies.

#### **4.2 Awareness of the FInES Project**

Findings indicate a relatively high level of awareness of the Financial Inclusion and Entrepreneurship Scaling (FInES) Project among SMEs in Lilongwe District. This aligns with Klapper et al. (2016), who argue that multi-channel information dissemination enhances financial inclusion outcomes in developing countries. Many respondents reported learning about the project through a combination of informal and formal communication channels. Informal avenues such as word of mouth were particularly influential, with friends and fellow business owners sharing information about the project. Formal platforms, including newspapers that published beneficiary success stories, also played an important role. In addition, social media platforms—particularly Facebook, where the FInES Project maintains an active presence—were significant sources of information, especially among younger and urban-based entrepreneurs.

Respondents consistently highlighted the role of peer influence and digital platforms in shaping their awareness. One SME explained: *“I first heard about FInES from a fellow business owner who had already benefited. Later, I saw the success stories on Facebook, which motivated me to inquire further.”*

In contrast, respondents from rural areas largely relied on traditional media such as radio, television, and SMS messaging. This finding is consistent with Triki and Faye (2013), who emphasize that traditional media remain critical for information dissemination in low-connectivity settings. A rural SME owner noted: *“We do not have stable internet here, so the radio and television broadcasts on success stories helped me know where to go.”*

Participating Financial Institutions (PFIs) emerged as key intermediaries in the dissemination of information about the FInES Project. This observation aligns with supply-side financial inclusion literature, which highlights banks as gatekeepers of financial information (Tambunlertchai, 2018). Desk officers at PFIs were frequently described as instrumental in raising awareness by providing detailed explanations of the project, clarifying eligibility requirements, and guiding SMEs through the application process. Their proximity to SMEs, including those in rural communities, enhanced the credibility and accessibility of the information shared.

Despite the wide dissemination of information, misconceptions about the project persisted. Some SMEs misunderstood eligibility criteria, application procedures, and timelines, reflecting the information asymmetry identified by Nkuna (2021) as a major barrier to effective financial inclusion in Malawi. One respondent stated: *“At first, we thought everyone would get money automatically. Later, we realised the requirements were more demanding than we expected.”*

Respondents from rural areas further emphasized that their awareness of the FInES Project primarily came through radio and television, which were considered effective in areas with limited digital connectivity. SMS communication also emerged as a key tool for reaching remote communities, with several respondents indicating that they had received project-related information via text messages. In addition, community-level outreach initiatives—

such as roadshows, town hall meetings, and walk-in consultations at Reserve Bank of Malawi (RBM) offices—were cited as important in enhancing public awareness, particularly among older and less digitally engaged populations.

While the FInES Project’s communication strategy appears multi-pronged and broadly inclusive, the study identified several gaps that hinder effective information dissemination. Misinformation and unrealistic expectations were common, particularly during the early stages of project promotion. Some respondents expressed confusion regarding the core objectives of the project, especially concerning eligibility and fund access, which led to disillusionment when the application process proved more complex than anticipated.

Although the project includes a grievance redress mechanism intended to address such misunderstandings, awareness of this feature was limited. Few respondents reported using it, and many were either unaware of its existence or uncertain about how to access it. These findings suggest that while the communication channels employed by the FInES Project are diverse and far-reaching, their effectiveness is constrained by limitations in message clarity, consistency, and cultural relevance. Consequently, more proactive and targeted communication approaches are required, particularly those tailored to low-literacy audiences and marginalized communities.

### **4.3 Access to Financial Services**

Most SMEs reported having applied for or accessed FInES-supported finance through participating development finance institutions (DFIs), commercial banks, microfinance institutions (MFIs), and savings and credit cooperatives (SACCOs). This finding supports the Public Good Theory, which posits that state-supported financial mechanisms can correct market failures in SME lending by expanding access to credit where private markets are reluctant to lend.

Beyond access to finance, many SMEs participated in capacity-building initiatives implemented under the FInES Project. These initiatives focused on business management, financial literacy, and marketing skills, reflecting Voica's (2017) argument that combining finance with skills development enhances SME sustainability. One respondent highlighted the practical benefits of this approach, stating: "*The training helped me understand cash flow management; before that, I mixed business and personal money.*"

Despite these positive outcomes, access to FInES-supported finance was uneven. SMEs with limited administrative capacity reported difficulties in meeting documentation and proposal requirements, reflecting demand-side barriers identified by Ramakrishna and Trivedi (2018). Some respondents indicated that the application process required extensive financial records and formal business documentation, which many small enterprises struggled to prepare without external assistance. One agribusiness SME explained that they had not applied for funding due to the complexity of developing a proposal that met bankability criteria, while another expressed limited interest in the project for similar reasons. These experiences suggest that, although the project offers substantial support, procedural complexity remains a barrier for SMEs with weak administrative and financial capacity.

Physical access to financial institutions also emerged as a constraint for some rural SMEs. While most respondents reported living within one to ten kilometers of the nearest financial institution, which facilitated access, a few rural-based SMEs indicated that they had to travel more than ten kilometers to reach a service point. This finding confirms Tambunlertchai's (2018) observations on spatial exclusion, whereby geographic distance continues to limit access to financial services for rural enterprises.

To mitigate such constraints, the integration of mobile money platforms—such as Mpamba and Airtel Money—played a significant role in enhancing access. Several SMEs reported using these platforms for electronic disbursement of funds and transactions, citing their speed, convenience, and ability to reduce transaction costs. This aligns with global evidence that digital financial services reduce geographic barriers and improve financial inclusion, particularly in underserved areas (Klapper et al., 2016).

The incorporation of mobile money into the FInES Project's financial ecosystem therefore represents a key innovation in expanding access for SMEs operating in rural and remote locations.

#### ***4.3.1 Perceived Impact of the FInES Project***

Respondents generally perceived the FInES Project as beneficial to business development and performance. This perception aligns with Ayyagari et al. (2003), who identify a positive relationship between access to finance and enterprise performance in developing economies. Several SMEs reported tangible improvements in their operations following access to FInES-supported finance. One respondent noted: *"After receiving the loan, I was able to buy better equipment and my production increased."*

Beyond financial inputs, respondents emphasized the complementary role of capacity-building initiatives in enhancing business performance. Many participants indicated that the combination of financial assistance and skills development improved their ability to manage their enterprises more effectively, supporting both short-term operational improvements and longer-term sustainability. The training programs, delivered through a structured three-stage model focusing on personal development, business management, and marketing, were widely appreciated. SMEs reported that these sessions strengthened their understanding of financial planning, improved customer engagement, and refined operational strategies, leading to better record-keeping, enhanced product quality, and more effective marketing practices.

Despite these positive qualitative outcomes, the assessment of impact was constrained by the limited use of formal performance metrics among SMEs. Few respondents were able to provide quantitative evidence of changes in revenue, business expansion, or employment creation. This challenge reflects broader weaknesses in monitoring and evaluation systems within SME support programs in developing countries, as noted by Fjose et al. (2010). The absence of systematic tracking mechanisms limits the ability to comprehensively assess the developmental outcomes of the FInES Project, even where perceived benefits are evident.

### *4.3.2 Project Implementation and Partnerships*

RBM's coordination role aligns with Public Good Theory, which emphasizes government leadership in providing non-excludable economic benefits. Strategic partnerships with fintech firms enhanced outreach, supporting Mainelli and Mills' (2018) argument that digital financial infrastructure strengthens inclusive growth.

The implementation of the FInES Project is overseen by the Reserve Bank of Malawi (RBM), which coordinates activities across participating financial institutions. RBM plays a central role in ensuring that project guidelines are followed, that funds are distributed efficiently, and that implementation aligns with the broader objectives of enhancing SME development and financial inclusion. RBM also oversees the monitoring of financial support mechanisms and ensures that corrective measures are taken where needed.

To increase outreach and ensure effective delivery, the project has established a number of strategic partnerships. These include collaborations with local government structures, rural business development centers, and financial institutions that have strong networks in rural areas. These partnerships were instrumental in educating SMEs about the benefits of the project and helping them navigate application procedures.

Furthermore, the project has leveraged partnerships with fintech providers to expand the reach of its services. Through the use of mobile platforms, SMEs in remote areas are now able to apply for funding and receive disbursements without the need to visit a physical bank branch. This use of digital technology has significantly improved accessibility and efficiency.

The FInES Project also benefits from the technical and financial support of the World Bank, which contributes resources and expertise to strengthen project design and implementation. Regular consultations with stakeholders including financial institutions, development agencies, and non-governmental organizations ensure that the project remains responsive to the evolving needs of SMEs. These partnerships not only enhance the project's credibility but also support a more integrated approach to SME support, combining financial services, training, and advisory support.

#### **4.4 Challenges in accessing FInES funds**

SMEs faced significant access barriers, particularly collateral requirements and procedural complexity. These findings mirror Chipeta and Kanyumbu (2018), who identify collateral constraints as a dominant barrier to SME finance in Africa. *“The bank asked for property as collateral, yet as a start-up I do not own land or a house.”*

Training-related challenges, including transport costs and timing, further constrained participation. These challenges reflect structural constraints discussed by Kalaile (2016), particularly in low-income economies.

The research findings revealed that SMEs in Lilongwe District face several challenges in accessing financial support under the Financial Inclusion and Entrepreneurship Scaling (FInES) project. One of the most frequently cited issues was the requirement for collateral. Many SMEs, particularly start-ups, lacked sufficient assets to meet collateral demands, resulting in limited access to the necessary funding. In some cases, entrepreneurs had to pledge all their available property to secure loans, which posed significant risks in the event of project failure. Another challenge was the complexity of the application processes employed by microfinance institutions (MFIs) and banks administering the FInES funds on behalf of the Reserve Bank of Malawi (RBM). These complex procedures, coupled with a lack of training and limited awareness about the application and eligibility criteria, discouraged many SMEs from pursuing financial support. Misinformation was also rampant, with SMEs reporting conflicting or unclear information about interest rates, which, although capped at 11% or less, often excluded reference to the Reserve Bank’s lending rate. Furthermore, very few SMEs received training on navigating the funding process. Only one respondent confirmed having received training on overcoming these challenges, indicating a serious gap in capacity-building efforts.

In addition to these barriers, rural and underserved SMEs experienced limited access to trained financial officers and communication channels, further compounding their difficulties.

The project's merit-based approach to lending, although designed to be inclusive, was perceived by some SMEs as biased towards more established businesses. Moreover, several SMEs reported that the timing of training programs was problematic. In many cases, funds were depleted by the time SMEs completed the training, rendering them ineligible for financing despite being "investor-ready." This issue was particularly evident among agribusiness SMEs, two of whom advocated for an increase in the funding ceiling to the equivalent of MK2.6 billion (approximately \$1.5 million) to match their growth potential. Others echoed concerns about depleted funding and delays in disbursement, emphasizing that timely and sufficient access to financing is critical for their success.

The research further identified specific challenges encountered during training sessions, such as lack of transportation. Some SMEs had to travel long distances up to 25 kilometers weekly to attend meetings, which strained their operational budgets and cash flow. SMEs suggested that providing transport refunds would enhance participation without negatively affecting business operations. From the perspective of stakeholders, the RBM also faced challenges in facilitating access to FInES funds, including limited financial literacy among SMEs, inadequate infrastructure in rural areas, and difficulties in meeting basic loan requirements. In response, the RBM implemented a number of measures, such as expanding financial literacy initiatives, introducing more flexible eligibility criteria, and collaborating with telecom providers to improve digital infrastructure and mobile access for rural SMEs. Outreach programs were also established to encourage digital adoption among SMEs.

#### **4.5 Impact of Financial Support**

SMEs that successfully accessed FInES-supported finance reported business expansion, increased revenue, and employment creation, supporting Hansen and Seshadri's (2013) argument that access to credit positively influences enterprise growth. Several respondents described tangible changes in their businesses following financial support. One SME noted: *"I managed to employ two people after expanding my shop using the FInES loan."*

Despite ongoing challenges, the FInES Project has had a measurable impact on a segment of SMEs in the district. Those that accessed funding reported benefits such as business expansion, revenue growth, and the creation of employment opportunities, which in turn contributed to improved product quality and service delivery. However, some SMEs were still in the early stages of implementing funded projects and had yet to observe measurable outcomes, particularly enterprises engaged in value addition processes that require longer gestation periods from production to commercialization.

Nevertheless, most respondents expressed overall satisfaction with the financial support provided through the FInES Project, citing its role in promoting financial inclusion and entrepreneurship. Several SMEs emphasized that the project represents one of the few developmental financial instruments in Malawi that supports start-up businesses—an area where conventional financial institutions are often reluctant to lend.

#### ***4.5.1 Financial Inclusion Strategies***

To promote financial inclusion, the RBM and its partners adopted several key strategies. These include simplifying loan procedures by providing a moratorium which cushions start-up businesses, enhancing financial literacy through training programs, collaborating with financial institutions to design SME-friendly products, and encouraging the creation of inclusive credit policies. These efforts have enabled even unbanked and informal-sector SMEs to access financial services. By improving financial literacy, SMEs have been better equipped to utilize funds effectively, optimize business operations, and contribute to broader economic growth.

#### ***4.5.2 Training, Capacity Building and Monitoring***

The RBM has played a critical role in building SME capacity through workshops and ongoing financial education programs. Impact is measured through feedback surveys, performance evaluations, and key performance indicators such as loan repayment rates, business growth, and revenue generation. Feedback from SMEs has been instrumental in shaping the direction of these programs.

There has been a call for more flexible loan terms and advanced financial literacy training to further support business development. In response, the RBM has expanded its training to include more specialized content and introduced peer networking opportunities for SMEs to share experiences and learn collaboratively.

#### ***4.5.3 Inclusivity and Support for Women and Youth***

Inclusivity is a cornerstone of the FInES project. Specific measures have been implemented to support women and youth entrepreneurs, including targeted training, mentorship programs, and access to networking opportunities. The RBM has incentivized financial institutions to design tailored products for these groups. Current data shows that 46% of funded SMEs are women-led, while 12% are youth-led, indicating meaningful progress in promoting inclusivity.

#### ***4.5.4 Sustainability and Monitoring***

To ensure sustainability, the FInES project employs a phased repayment plan, allowing SMEs to reinvest in their businesses while gradually repaying loans. Ongoing training and mentorship ensure that beneficiaries can grow sustainably and remain financially independent after the project concludes. Regular monitoring is conducted through site visits, quarterly and annual performance reviews, and reporting by participating financial institutions. Key metrics include disbursement rates, effective fund utilization, and improvements in SME performance. The most recent evaluations reveal a notable increase in SME participation in formal banking and improvements in performance, particularly in Lilongwe district.

### **4.6 Reasons for Ineffectiveness and Solutions**

Rather than repeating challenges, this section analytically examines *why* these challenges persist. Structural issues such as rigid lending criteria, uneven financial literacy, and funding ceilings constrained effectiveness. This aligns with Scarborough (2013), who notes that SME vulnerability often stems from systemic rather than individual weaknesses.

Despite its successes, the FInES project still faces obstacles. Collateral requirements remain a major barrier, especially for start-ups and small businesses. Although some financial institutions offer loans without collateral through insurance-backed guarantees (e.g., 75% coverage in case of default for women and youth), many SMEs still struggle to qualify. Additionally, the complexity of application procedures continues to hinder access. Some SMEs have had to hire consultants to make their proposals “bankable,” an expense many cannot afford. Limited financial literacy further compounds the problem, as some SMEs lack the skills to manage funds effectively or to understand lending terms. Access to training remains uneven, with some SMEs missing opportunities due to poor timing and depleted funds. Moreover, many rural SMEs face logistical difficulties due to their distance from financial institutions. Lastly, while the loan ceiling was initially set at MK250 million per SME, some agribusinesses reported that this amount was insufficient for their expansion plans, although exceptional approvals up to MK400 million have been granted in some cases based on their developmental impact.

#### **4.7 Contributions of FInES and the World Bank**

The RBM–World Bank partnership strengthened institutional capacity and financial governance, consistent with AfDB (2021), which emphasizes multilateral support in SME ecosystem development.

The collaboration between FInES and the World Bank has significantly enhanced financial support for SMEs in Lilongwe. The World Bank has provided critical financial and technical assistance, helping the RBM streamline fund distribution through partner financial institutions and facilitate capacity building. The partnership has fostered a more structured approach to financing, ensuring targeted support for various SME sectors. The World Bank has also supported the development of financial literacy programs and inclusivity initiatives, particularly for women and youth entrepreneurs.

#### **4.8 Conclusion**

The FInES project has made substantial progress in enhancing financial inclusion and supporting SME development in Lilongwe District.

However, persistent challenges including collateral demands, procedural complexity, and insufficient training must be addressed to maximize its impact. Collaborative efforts by the RBM, the World Bank, and financial institutions have already yielded positive outcomes, particularly in expanding access to women and youth. Continued investment in training, flexible financing, and inclusive strategies will be essential to ensuring the sustainability and effectiveness of financial support for SMEs in Malawi.

The findings of this study indicate that the FInES Project has achieved a considerable level of awareness and engagement among SMEs in Lilongwe District. The project's multi-channel communication strategy has enabled wide dissemination of information, though gaps remain, particularly in ensuring clarity and inclusiveness. Most SMEs have successfully accessed financial services and participated in training activities, and many view the project as a valuable initiative for business development. However, the complexity of the application process continues to limit participation for some SMEs.

In terms of implementation, the collaboration between RBM, financial institutions, development partners, and fintech providers has contributed significantly to the project's outreach and effectiveness.

In conclusion, while the FInES project has laid a solid foundation for SME development in Lilongwe District, there remains a pressing need for continuous improvement in the design and delivery of financial support systems. This will require stronger stakeholder collaboration, policy refinement, and adaptive strategies that respond to the real and evolving needs of SMEs across Malawi.

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the conclusion of the study, which sought to assess the effectiveness of the Financial Inclusion and Entrepreneurship Scaling (FInES) Project in supporting SMEs in Lilongwe District. It synthesizes the key findings in relation to the study objectives and highlights the implications for financial inclusion and SME development in Malawi. The chapter also provides targeted recommendations aimed at improving the effectiveness of the FInES Project, aligned with the Sustainable Development Goals (SDGs) and Malawi Vision 2063. Finally, areas for further research are proposed to contribute to the growing body of literature on SME financing and financial inclusion.

#### **5.2 Conclusion**

The study concludes that the FInES Project, implemented by the Reserve Bank of Malawi (RBM) with support from the World Bank, has made a meaningful contribution to financial inclusion and SME development in Lilongwe District. The project has successfully raised awareness of financing opportunities among SMEs through partnerships with commercial banks, microfinance institutions, and development finance institutions. Access to both capital and capacity-building initiatives has enabled several SMEs to expand operations, improve product quality, and create employment opportunities.

However, the findings also reveal persistent structural and operational challenges that limit the project's overall effectiveness.

The loan application process remains complex and administratively demanding, particularly for SMEs with limited financial literacy. Many respondents perceived the process as bureaucratic and difficult to navigate without external assistance, which discouraged potential applicants. Collateral requirements further constrained access, especially for start-ups, informal businesses, and asset-poor entrepreneurs.

The study also found that current loan ceilings are often insufficient for SMEs operating in capital-intensive sectors such as agribusiness. This mismatch between financing needs and available loan amounts restricts business expansion and reduces the developmental impact of the project. In addition, weaknesses were identified in the timing and relevance of training programmes. In some cases, SMEs became “investment-ready” after funds had already been exhausted, while others felt that training content was not adequately tailored to their sector or stage of business growth.

Rural SMEs continue to face additional barriers due to physical distance from financial institutions and higher transaction costs. Although mobile and digital financial services have improved access, geographical and infrastructural constraints remain significant for some enterprises.

Despite these challenges, the study affirms that the FInES Project has strengthened Malawi’s financial inclusion landscape. Through collaboration among RBM, the World Bank, and participating financial institutions, the project has promoted inclusive lending, enhanced financial literacy, and increased participation by women and youth entrepreneurs. These achievements demonstrate the importance of coordinated partnerships in delivering effective SME support.

Overall, while the FInES Project has laid a solid foundation for SME development, targeted improvements in loan design, capacity building, and implementation are necessary to maximize its impact, particularly for rural, start-up, and growth-oriented SMEs.

### **5.3 Recommendations**

Based on the findings of this study, the following recommendations are proposed to enhance the effectiveness of the FInES Project. Each recommendation is practical, targeted, and aligned with relevant SDGs and Malawi Vision 2063 pillars.

#### ***5.3.1. Simplify the Loan Application Process***

The loan application process should be streamlined to reduce administrative complexity. This may include minimizing documentation requirements, standardizing application templates, and providing clear, step-by-step guidance. Participating financial institutions should also designate SME support officers to assist applicants throughout the process, particularly in rural areas.

#### **SDGs:**

- *Goal 8* : Decent Work and Economic Growth
- *Goal 10*: Reduced Inequalities

#### **Malawi Vision 2063:**

- *Pillar 2: Human Capital Development and Social Protection*
- *Pillar 4: Economic Transformation and Job Creation*

#### ***5.3.2. Introduce More Flexible Collateral Arrangements***

Financial institutions should expand the use of alternative collateral mechanisms such as movable assets, group guarantees, and insurance-backed or government-supported credit guarantees. These measures would reduce exclusion of start-ups, informal SMEs, and asset-poor entrepreneurs while maintaining prudent risk management.

#### **SDGs:**

- *Goal 8*
- *Goal 9*: Industry, Innovation and Infrastructure

- *Goal 10: Reduced Inequalities*

**Malawi Vision 2063:**

- *Pillar 4*

***5.3.3. Review and Differentiate Loan Limits***

Loan ceilings should be reviewed and structured according to sector, scale, and growth potential. Tiered financing would allow SMEs in capital-intensive sectors, such as agribusiness and manufacturing, to access funding that aligns with their operational needs and expansion plans.

**SDGs:** Goals 2 and 8

**Malawi Vision 2063:** Pillar 4

***5.3.4. Improve the Timing and Relevance of Training Programmes***

Training programmes should be scheduled prior to loan disbursement cycles to ensure SMEs are adequately prepared when funding becomes available. Training content should be sector-specific and stage-sensitive, with emphasis on practical financial management, growth planning, and sustainability.

**SDGs:** Goals 4 and 8

**Malawi Vision 2063:** Pillar 2

***5.3.5. Strengthen Financial Literacy Initiatives***

RBM and participating institutions should scale up structured financial literacy programmes covering budgeting, record-keeping, loan management, and investment decision-making. These programmes should be delivered using accessible formats, including local languages and digital platforms, to reach a wider SME population.

**SDGs:** Goals 4 and 8

**Malawi Vision 2063:** Pillar 2

### ***5.3.6. Enhance Targeted Support for Women and Youth***

Dedicated loan products, mentorship schemes, and networking platforms should be expanded for women- and youth-led enterprises. Strengthening these targeted interventions will improve equity, participation, and long-term sustainability of SMEs led by marginalized groups.

**SDGs:** Goals 5, 8, and 10

**Malawi Vision 2063:** Pillars 1 and 4

### ***5.3.7. Strengthen Monitoring and Evaluation Systems***

A more robust monitoring and evaluation framework should be implemented to track outcomes such as business growth, employment creation, and loan performance. Regular feedback from SMEs should inform adaptive programme adjustments and improve accountability.

**SDGs:**

- *Goal 16:* Peace, Justice and Strong Institutions
- *Goal 17:* Partnerships for the Goals

**Malawi Vision 2063:**

- *Pillar 1*

## **5.4 Recommended areas for further research**

While this study provides valuable insights into the effectiveness of financial support for SMEs in Lilongwe District, several areas require further investigation to deepen understanding of the challenges and opportunities facing SMEs in Malawi.

#### ***5.4.1. Impact of Financial Support on Business Growth and Job Creation***

Future studies should examine the long-term effects of financial support provided through the FInES Project on SME growth and sustainability. Particular attention should be given to business expansion, employment creation, and broader local economic impacts, including income generation within communities.

#### ***5.4.2. Effectiveness of Financial Literacy Programmes***

Although financial literacy initiatives are a key component of the FInES Project, their effectiveness has not been comprehensively evaluated. Further research should assess how these programmes influence SMEs' financial management practices, decision-making capacity, and ability to access and utilize financial services. Comparative analysis across sectors and business stages would also be valuable.

#### ***5.4.3. Gender and Youth Inclusion in Financial Support Programmes***

Additional research is needed to explore the specific barriers faced by women- and youth-led enterprises in accessing financial support. Such studies could evaluate the effectiveness of gender- and youth-responsive financial products and policies, as well as identify strategies for improving participation and retention within the FInES Project.

#### ***5.4.4. Barriers to Accessing Financial Services in Rural Areas***

Given the persistent challenges faced by rural SMEs, future research should focus on infrastructural constraints, physical distance from financial institutions, and transaction costs. Particular emphasis should be placed on assessing the role of mobile and digital financial services in reducing geographic and institutional barriers.

#### ***5.4.5 Long-Term Sustainability of the FInES Project***

Further research should investigate the long-term sustainability of the FInES Project, including the effectiveness of repayment mechanisms, the continued relevance of loan products, and the project's scalability to other districts. The role of institutional partnerships in sustaining project outcomes also warrants examination.

#### ***5.4.6. Role of Innovation and Technology in SME Financing***

With the growing adoption of fintech solutions, future studies should explore how innovations such as mobile banking, digital platforms, and blockchain technology can enhance SME financing. Research should assess how these technologies can address key constraints identified in this study, particularly collateral requirements and geographic exclusion.

By addressing these areas, future research can contribute to improving the design and implementation of the FInES Project and similar initiatives, thereby strengthening SME development and supporting Malawi's broader economic transformation.

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## APPENDICES

### Appendix 1 – SME QUESTIONNAIRE

#### SEMI-STRUCTURED QUESTIONNAIRE – FINES BENEFICIARIES

##### *FOMU YA MAFUNSO – OPINDULA NDI FINES*

#### EFFECTIVENESS OF FINANCIAL SUPPORT TO SMEs IN MALAWI – THE CASE OF FINES PROJECT IN LILONGWE DISTRICT

##### *KUCHITA BWINO KWA THANDIZO LA NDALAMA KWA MABIZINESO AANGÓNO AANGÓNO KU MALAWI – NKHANI YA PULOJEKITI YA FINES MU MZINDA WA LILONGWE*

My name is **Tupochele Maulidi**, a Master in Public Administration student from University of Malawi. I am conducting a research on **EFFECTIVENESS OF FINANCIAL SUPPORT TO SMEs IN MALAWI – THE CASE OF FINES PROJECT IN LILONGWE DISTRICT** and would like you to take part in this research through responding this questionnaire.

*Dzina langa ndi Tupochele Maulidi, ndine wophunzira wa Master in Public Administration ku University of Malawi. Ndikuchita kafukufuku pa **KUCHITA BWINO KWA THANDIZO LA NDALAMA KWA MABIZINESE AANG'ONO KU MALAWI – NKHANI YA POLOJEKITI YA FINES MZINDA LA LILONGWE** ndipo ndikufuna mukhale mbali ya kafukufukuyu mwa kuyankha mafunso awa.*

You are free to decide not to respond to the questionnaire. Your responses and information provided will be treated with utmost confidentiality and the information gathered is strictly for academic purposes.

Muli ndi ufulu wosankha kuyankha kapena osayankha mafunsowa. Mayankho anu ndi zomwe mupereka zidzakhala zobisika kwambiri ndipo zomwe zipezedwa zidzagwiritsidwa ntchito pokhapokha pazofuna za maphunziro.

#### **SECTION A: Demographic Information**

**GAWO A: CHIDZIWITSO CHA ZA MOYO WANU**

1. Name (optional)

*Dzina (ngati mukufuna)*

2. Business name (optional)

*Dzina la bizinesi (ngati mukufuna)*

3. Gender

- a. Male  
b. Female

*Jenda*

- a. *Mwamuna*  
b. *Mkazi*

4. Age group

- a. 18-25  
b. 26-35  
c. 36-45  
d. 45-55  
e. 55 and above

*Gulu la zaka*

- a. 18-25  
b. 26-35  
c. 36-45  
d. 45-55  
e. 55 ndi kupitirira

5. Education level

- a. No formal education  
b. Primary education  
c. Secondary education  
d. Tertiary education

*Maphunziro anu*

- a. *Palibe maphunziro*
- b. *Maphunziro a pulayimale*
- c. *Maphunziro a sekondalie*
- d. *Maphunziro koleji*

6. Type of Business

- a. Micro
- b. Small
- c. Medium

*Mitundu ya bizinesi*

- a. *Yayingóno kwambiri*
- b. *Yayingóno*
- c. *Yaikulu*

7. Business Sector

- a. Agribusiness
- b. Manufacturing
- c. Health
- d. Trade
- e. Others (please specify).....

*Magawo a bizinesi*

- a. *Bizinesi ya ulimi*
- b. *Kupanga zinthu*
- c. *Zaumoyo*
- d. *Malonda*
- e. *Zina (chonde fotokozani).....*

8. Location of Business

- a. Urban
- b. Rural

*Malo a bizinesi*

- a. *Tawuni*
- b. *Kumidzi*

**Objective 1: Awareness of the FInES Project**

**Gawo B: KUZINDIKILA ZA PULOJEKITI YA FINES**

9. Are you aware of the FInES Project?

- a. Yes
- b. No
- c. If yes, how did you hear about it?.....

*Kodi mukudziwa za pulojekiti ya FInES?*

- a. Inde*
- b. Ayi*
- c. Ngati inde, mudamva bwanji za izo...*

10. How well do you understand the objectives of the FInES Project?

- a. Very well
- b. Somewhat
- c. Not at all

*Mumamvetsetsa bwanji zolinga za pulojekiti ya FInES?*

- a. Modziwika bwino*
- b. Moteremotere*
- c. Sindimvetsetsa*

11. What channels of communication have you encountered regarding the FInES Project?

- a. Radio
- b. Television
- c. Newspapers
- d. Social Media
- e. Word of mouth
- f. Financial Institutions
- g. Others (please specify).....

*Njira ziti za kulankhulana zomwe mwakumana nazo zokhudza pulojekiti ya FInES?*

- a. Wailesi*
- b. Telezizioni*
- c. Nyuzipepala*
- d. Mwayilesi a pa intaneti*
- e. Kulankhula pakati pa anthu*
- f. Mabungwe a zachuma*
- g. Zina (chonde fotokozani).....*

12. In your opinion, how effective are these communication channels in reaching SMEs?

- a. Very effective
- b. Effective
- c. Neutral
- d. Ineffective
- e. Very Ineffective

*M'malingaliro anu, njira zolankhulirana izi zimathandiza bwanji kufikira ma SMEs?*

- a. Zothandiza kwambiri*
- b. Zothandiza*
- c. Palibe kusiyana*
- d. Sizothandizaa*
- e. Sizothandiza konse*

## **Objective 2: Access to Financial Services**

### ***GAWO C: KUPEZA NTCHITO ZACHUMA***

13. Have you ever applied for financial support through the FInES Project?

- a. Yes
- b. No

c. If no, why not?  
.....

Kodi mudayamba mwapempha thandizo la zachuma kudzera mu pulojekiti ya FInES?

- a. *Inde*
- b. *Ayi*
- c. *Ngati ayi, chifukwa chiyani* .....

14. What type of financial services have you accessed through the FInES Project?

- a. Loans
- b. Training and Workshops
- c. Others (please specify)  
.....

*Ntchito zachuma ziti zomwe mwapeza kudzera mu pulojekiti ya FInES?*

- a. *Makobidi*
- b. *Maphunziro ndi misonkhani*
- c. *Zina* .....

15. How do you usually access financial services?

- a. Banks
- b. Microfinance institutions
- c. Mobile money services
- d. Savings and credit cooperatives
- e. Others (please specify)  
.....

*Njira ziti zomwe mumagwiritsa ntchito kupeza ntchito zachuma?*

- a. *Mabanki*
- b. *Mabungwe a'ngonoangono aachuma*
- c. *Utumiki wa ndalama zochepa*
- d. *Mabungwe osungira ndi kubwereketsa*
- e. *Zina* (chonde fotokozani)  
.....

16. How would you rate the accessibility of these financial services?

- a. Very accessible
- b. Accessible
- c. Neutral
- d. Inaccessible
- e. Very inaccessible

*Mungati ntchito izi zachuma zikupezeka bwanji?*

- a. *Kupezeka kwambiri*
- b. *Kupezeka*
- c. *Palibe kusiyana*
- d. *Sikupezeka*
- e. *Sikupezeka konse*

17. How far is the nearest financial service provider from your business location?

- a. Less than 1km
- b. 1-5 km
- c. 6-10 km
- d. More than 10 km

*Patali bwanji ndi ntchito zachuma zoyandikira ndi malo anu a bizinesi?*

- a. *Pansi pa 1km*
- b. *1-5 km*
- c. *6-10 km*
- d. *Opitilira 10 km*

### **Objective 3: Challenges in Accessing FInES Funds**

#### ***GAWO D: ZOVUTA POLEMEKEZA NDALAMA ZA FINES***

18. What challenges have you faced while accessing funds from the FInES Project?

(select all that apply)

- a. High-interest rates
- b. Collateral requirements
- c. Complex application processes
- d. Lack of information

- e. Others (please specify).....

*Ndizovuta ziti zomwe mwakumana nazo polemekeza ndalama kuchokera ku Pulojekiti ya FInES? (sankhani zonse zomwe zikupezeka)*

- a. *Mitengo yapamwamba ya chindapusa*  
b. *Zofunikira zotsimikizira*  
c. *Njira yovuta yopemphera*  
d. *Kusadziwa zambiri*  
e. *Zina* (chonde fotokozani)  
.....

19. How do these challenges impact your ability to secure funding?

- a. Significantly  
b. Moderately  
c. Slightly  
d. Not at all

*Zovutazi zimakhudza bwanj kuthekera kwanu kolandila ndalama?*

- e. *Mokhudza kwambiri*  
f. *Mokhudza*  
g. *Pangóno*  
h. *Sizimakhudza*

20. Have you received any training or support to help you navigate these challenges?

- a. Yes  
b. No

*Kodi mwalandira maphunziro kapena thandizo lokuthandizani kuthana ndi zovutazi?*

- c. *Inde*  
d. *Ayi*

21. What additional support would you need to better access the financial services offered by the FInES Project?

*Thandizo lina liti lomwe mungafune kuti mupeze bwino ntchito zachuma zomwe zimaperekedwa ndi Pulojekiti ya FInES?*

**Objective 4: Impact of Financial Support**

**GAWO E: ZOTSATIRA ZA THANDIZO LA ZACHUMA**

22. How has the financial support from the FInES Project impacted your business?

(select all that apply)

- a. Increased revenue
- b. Expanded operations
- c. Hired more employees
- d. Improved product/ service quality
- e. Import substitution
- f. Others (please specify)

.....

*Kodi thandizo lazachuma kuchokera ku Pulojekiti ya FInES lakukhudzani bwanji pa bizinesi yanu? (sankhani zonse zomwe zikupezeka)*

- a. *Kuonjezela kwa ndalama zomwe mumapeza*
- b. *Kukulitsa ntchito*
- c. *Kulemba antchito ambiri*
- d. *Kukweza khalidwe la chinhucho/ utumiki*
- e. *Kusintha kwa katundu akunja*
- f. *Zina (chonde fotokozani)*

.....

23. Overall, how satisfied are you with the financial support provided by the FInES Project?

- a. Very satisfied
- b. Satisfied
- c. Neutral

- d. Dissatisfied
- e. Very dissatisfies

*M'malingaliro anu, mukukhutitsidwa bwanji ndi thandizo lazachuma lomwe limaperekedwa ndi pulojekiti ya FInES?*

- a. *Kukhutitsidwa kwambiri*
- b. *Kukhutitsidwa*
- c. *Palibe kusiyana*
- d. *Kusakhutitsidwa*
- e. *Kusakhutitsidwa konse*

24. Do you feel that the FInES Project is effective in promoting financial inclusion and entrepreneurship among SMEs in Malawi?

- a. Yes
- b. No
- c. Unsure

*Kodi mukuwona kuti Pulojekiti ya FInES ndi yothandiza polimbikitsa chipepeso chachuma ndi ulemelero wamabizinesi pakati pa ma SMEs ku Malawi?*

- a. *Inde*
- b. *Ayi*
- c. *Sindikudziwa*

Additional comments:

*Ndemanga zina:*

## Appendix 2 – WORLD BANK OFFICIALS QUESTIONNAIRE

### OPEN-ENDED QUESTIONNAIRE FOR WORLD BANK OFFICIALS

#### Introduction

##### *Chiyambi*

This questionnaire aims to gather insights from officials at the World Bank regarding the effectiveness of the Financial Inclusion and Entrepreneurship Scaling (FInES) Project in supporting SMEs in Lilongwe District, Malawi.

*Kafukufuku uyu akufuna kupeza maganizo ochokera kwa antchito a World Bank zokhudza momwe Polojekiti ya FInES ikuthandizira anthu amabizinesi ang'onoang'ono ndi apakati mu mzinda wa Lilongwe ku Malawi.*

#### 1. Project Awareness and Outreach

*Kudziwa za pulojekiti ndi kufikira anthu*

How does the World Bank ensure awareness of the FInES project among SMEs in Malawi?

*Kodi World Bank imatsimikizira bwanji kuti ma bizinesi ang'onoang'ono ndi apakati ku Malawi akudziwa za polojekiti ya FInES?*

What specific strategies or channels have been most effective in reaching out to SMEs in the Lilongwe District?

*Kodi njira kapena njira zapadera zomwe zakhala zikugwira bwino ntchito pofikira mabizinesi ang'onoang'ono ndi apakati ku Lilongwe ndi ziti?*

How effective have these channels been in reaching the targeted SME population?

*Kodi njira izi zakhala zogwira ntchito bwanji pofikira mabizinesi ang'onoang'ono ndi apakati omwe akufuna kuthandizidwa?*

#### 2. Access to Financial Services

### *Kupeza Ntchito Zachuma*

What mechanisms have been put in place to facilitate easier access to financial services for SMEs under the FInES Project?

*Kodi ndi njira ziti zomwe zakhazikitsidwa kuti zithandize ma bizinesi ang'onoang'ono ndi apakati kuti azitha kupeza ntchito zachuma mosavuta pansu pa Polojekiti ya FInES?*

Are there any specific access points or service centers established in Lilongwe District to assist SMEs?

*Kodi pali malo apadera kapena malo othandizira omwe akhazikitsidwa mu mzinda wa Lilongwe kuti athandize ma bizinesi ang'onoang'ono ndi apakati?*

### 3. Effectiveness and Impact

#### *Kuchita Bwino ndi Zotsatira*

How does the World Bank measure the effectiveness of the FInES project in increasing financial inclusion among SMEs?

*Kodi World Bank imayezera bwanji momwe polojekiti ya FInES ikuchitira bwino potambasula ntchito zandalama kwa mabizinesi ang'onoang'ono ndi apakati?*

Can you provide examples or case studies demonstrating the impact of the FInES project on SMEs in Lilongwe?

*Kodi mungapereke zitsanzo kapena nkhani zosonyeza momwe polojekiti ya FInES yakhalira ndi zotsatira zabwino kwa ma SME ku Lilongwe?*

### 4. Challenges and Barriers

#### *Zovuta ndi Zolepheretsa*

What are the primary challenges faced by the World Bank in implementing the FInES project in Malawi?

*Kodi zovuta zazikulu zomwe World Bank imakumana nazo poyendetsa polojekiti ya FInES ku Malawi ndi ziti?*

How has the World Bank addressed these challenges to ensure the project's success?

*Kodi World Bank yathana bwanji ndi zovutazi kuti itsimikizire kupambana kwa polojekitiyi?*

#### 5. Gender and Youth Inclusion

How does the FInES project specifically address the inclusion of women and youth among SMEs?

*Kodi polojekiti ya FInES imaonetsetsa bwanji kupatsidwa ngongole kwa amayi ndi achinyamata m'mabizinesi ang'onoang'ono ndi apakati?*

What measures are in place to monitor and evaluate the participation of these groups?

*Kodi pali njira ziti zomwe zachitika pofuna kuyang'anira ndikuwunika kutenga nawo mbali kwa magulu amenewa?*

#### 6. Collaboration with Local Institutions

*Kugwirizana ndi Mabungwe achilokolo*

How does the World Bank collaborate with local financial institutions and the Reserve Bank of Malawi to support the FInES project?

*Kodi World Bank imagwirizana bwanji ndi mabungwe azachuma achilokolo ndi Banki Yosungiramo Ndalama ku Malawi kuti athandizire polojekiti ya FInES?*

What role do local institutions play in the project's implementation and success?

*Kodi mabungwe achilokolo amagwira ntchito yotani pakupereka ndikutukula polojekiti?*

#### 7. Sustainability and Long-term goals

*Kukhazikika ndi Zolinga Zanthawi Yaitali*

What strategies are in place to ensure the sustainability of the FInES project's outcomes beyond its initial funding period?

*Kodi ndi njira ziti zomwe zakhazikitsidwa kuti zitsimikizire kuti zotsatira za polojekiti ya FInES zikhale zokhazikika ngakhale zitatha nthawi ya ndalama zoyambilira?*

How does the project align with Malawi's long-term economic development goals and SDGs?

*Kodi polojekiti ikugwirizana bwajji ndi zolinga zantchito za Malawi za nthawi yayitali komanso SDGs?*

## 8. Training and Capacity Building

*Maphunziro ndi Kumanga Luso*

What types of training and capacity-building programs are provided to SMEs under the FInES project?

*Kodi mitundu ya maphunziro ndi mapulogalamu oonjezera kuthekera omwe amaperekedwa kwa mabizinesi ang'onoang'ono ndi apakati m'polojekiti ya FInES ndi yotani?*

How effective have these programs been in enhancing the capabilities of SMEs in Lilongwe?

*Kodi mapulogalamuwa akhala ogwira ntchito bwajji polimbikitsa kuthekera kwa mabizinesi ang'onoang'ono ndi apakati ku Lilongwe?*

## 9. Monitoring and Evaluation

*Kuwunika ndi Kuyang'anira*

What monitoring and evaluation frameworks are used to assess the progress and impact of the FInES project?

*Kodi pali maonekedwe otani omwe amagwiritsidwa ntchito pofuna kuwunika ndikuwona momwe polojekiti ya FInES ikuyendera komanso zotsatira zake?*

Can you share any key findings or data from recent evaluations?

*Kodi mungagawane zotsatira zofunika kapena deta kuchokera ku mawonetsero aposachedwa?*

## 10. Feedback and Improvement

*Ndemanga ndi zoyenela kusintha*

How does the World Bank gather feedback from SMEs participating in the FInES project?

*Kodi World Bank imatenga bwanji mayankho kuchokera kwa mabizinesi ang'onoang'ono ndi apakati omwe akutenga nawo mbali m'polojekiti ya FInES?*

What improvements or changes have been made to the project based on this feedback?

*Kodi pali kusintha kulikonse kapena zosintha zomwe zachitika m'polojekitiyi chifukwa cha mayankho amenewa?*

**END OF QUESTIONNAIRE**

***MAPETO A KAFUKUFUKU***

Thank you for taking the time to provide your valuable insights. Your feedback will contribute significantly to the assessment and improvement of financial support for SMEs in Malawi through the FInES project.

*Zikomo chifukwa chotenga nthawi yanu yopereka maganizo ofunika. Mayankho anu adzathandiza kwambiri pakuyeza ndikuwongolera chithandizo cha zachuma kwa ma SME ku Malawi kudzera mu polojekiti ya FInES.*

**Appendix 3: OPEN-ENDED QUESTIONNAIRE FOR RESERVE BANK OF MALAWI OFFICIALS**

**FOMU YA MAFUNSO YOTI IYANKHIDWE NDI AKULUAKULU A RESERVE BANK OF MALAWI**

**Introduction**

**CHIYAMBI**

This questionnaire aims to gather insights from officials at the Reserve Bank of Malawi regarding the effectiveness of the Financial Inclusion and Entrepreneurship Scaling (FInES) Project in supporting SMEs in Lilongwe District, Malawi.

*Fomu iyi ikufuna kupeza maganizo kuchokera kwa akuluakulu a ku Reserve Bank of Malawi pankhani ya kuthekera kwa Pulogalamu ya FInES pothandiza mabizinesi ang'onoang'ono ndi apakati m'dera la Lilongwe, Malawi.*

1. Project Implementation and Awareness

*Kudziwitsa Anthu za pulogalamu ya FInES*

How is the Reserve Bank of Malawi involved in the implementation of the FInES project?

*Kodi Reserve Bank of Malawi ikutenga nawo mbali bwanji pakukhazikitsa pulogalamu ya FInES?*

What efforts are being made to increase awareness of the FInES project among SMEs, particularly in rural areas?

*Kodi mukuchita chiyani kuti muwonjezere kudziwitsa za pulogalamu ya FInES pakati pa mabizinesi ang'onoang'ono makamaka m'madera akumidzi?*

2. Financial Inclusion Strategies

*Njila za Chikwanekwane cha Zachuma*

What strategies has the Reserve Bank of Malawi employed to enhance financial inclusion among SMEs?

*Kodi Reserve Bank of Malawi yagwiritsa ntchito njira ziti kuti ichulitse chikwanekwane cha zachuma pakati pa mabizinesi ang'onoang'ono?*

How do these strategies complement the objectives of the FInES project?

*Kodi njira zimenezi zikugwirizana bwanji ndi zolinga za pulogalamu ya FInES?*

### 3. Access and Distribution

*Kupezeka ndi Kugawa*

What are the main access points for financial services provided to SMEs under the FInES project?

*Kodi ndi malo ati akuluakulu omwe amapereka ntchito zachuma kwa mabizinesi ang'onoang'ono panso pa pulogalamu ya FInES?*

Are there any mobile or digital platforms being used to reach SMEs in remote areas?

*Kodi pali nsanja zam'manja kapena zapakanema zomwe zikugwiritsidwa ntchito kufikira mabizinesi ang'onoang'ono m'madera akutali?*

### 4. Challenges and Solutions

*Zovuta ndi Njira Zothetsera*

What challenges has the Reserve Bank of Malawi encountered in facilitating access to FInES funds for SMEs?

*Kodi Reserve Bank of Malawi ikukumana ndi zovuta zotani polimbikitsa kupeza ndalama za FInES kwa mabizinesi ang'onoang'ono?*

How are these challenges being addressed to ensure better access and utilization of funds?

*Kodi zovuta izi zikuthandizidwa bwanji kuti kupezeka ndi kugwiritsa ntchito ndalama zikhale bwino?*

## 5. Inclusivity measures

*Njira Zopangitsa kusasolidwa kwa Aliyense*

How does the Reserve Bank ensure that women and youth are adequately included in the FInES project?

*Kodi Reserve Bank ikutsimikizira bwanji kuti akazi ndi achinyamata akuphatikizidwa mokwanira mu pulogalamu ya FInES?*

What specific initiatives are in place to support these groups?

*Kodi pali ndondomeko zenizeni zotani zomwe zilipo pothandiza maguluwa?*

## 6. Partnerships and Collaboration

*Ubale ndi Kugwirizana*

How does the Reserve Bank of Malawi collaborate with the World Bank and other stakeholders in the FInES project?

*Kodi Reserve Bank of Malawi ikugwirizana bwanji ndi World Bank ndi othandizana nawo ena mu pulogalamu ya FInES?*

What role do partnerships play in the project's success?

*Kodi mgwirizano umawathandiza bwanji pakuchita bwino kwa pulogalamuyi?*

## 7. Sustainability and Impact

*Kukhazikika ndi Zotsatira Zanthawi Yaitali*

What measures are in place to ensure the long-term sustainability of the FInES project's benefits for SMEs?

*Kodi pali njira ziti zothetsera kuti zopindulitsa za pulogalamu ya FInES zizikhala nthawi yayitali kwa mabizinesi ang'onoang'ono?*

How does the project contribute to the overall economic development and financial stability of Malawi?

*Kodi pulogalamuyi ikuthandiza bwanji pachitukuko cha chuma ndi kukhazikika kwa zachuma ku Malawi?*

## 8. Training and capacity Building

*Kuphunzitsa ndi Kumanga Mphamvu*

What training and capacity-building initiatives are provided by the Reserve Bank to support SMEs under the FInES project?

*Kodi pali mapulogalamu otani ophunzitsa ndi kumanga mphamvu omwe amaperekedwa ndi Reserve Bank pothandiza mabizinesi ang'onoang'ono pansi pa pulogalamu ya FInES?*

How are the effectiveness and impact of these initiatives measured?

*Kodi zothandiza komanso zotsatira za mapulogalamuwa zikuyezedwa bwanji?*

## 9. Monitoring and Evaluation

*Kuwunika ndi Kuyeza Zotsatira*

What tools and methods does the Reserve Bank use to monitor and evaluate the progress of the FInES project?

*Kodi Reserve Bank imagwiritsa ntchito zida ndi njira ziti pakuunika ndi kuyeza patsogolo pa pulogalamu ya FInES?*

Can you share any recent findings or data that highlight the project's impact?

*Kodi mungagawane ndi ife zomwe mwapeza posachedwapa kapena deta yomwe ikuwonetsa zotsatira za pulogalamuyi?*

## 10. Future directions and feedback

*Machitidwe Atsogolo ndi Ndemanga*

What feedback has been received from SMEs regarding the FInES project?

*Kodi mwalandira ndemanga zotani kuchokera kwa mabizinesi ang'onoang'ono zokhudza pulogalamu ya FInES?*

How is this feedback being used to shape future directions and improvements in the project?

*Kodi ndemanga izi zikugwiritsidwa ntchito bwanji pofuna kuyang'anira ndikuwongolera njira zamtsogolo za pulogalamuyi?*

**END OF QUESTIONNAIRE**

***MAPETO A FOMU YOFUNSIRA MAFUNSO***

Thank you for taking the time to provide your valuable insights. Your feedback will contribute significantly to the assessment and improvement of financial support for SMEs in Malawi through the FInES project.

*Zikomo potenga nthawi yanu yofunika kuti mupereke maganizo anu ofunika kwambiri. Ndemanga zanu zidzathandiza kwambiri pakuunikanso ndi kuwonjezera chithandizo chachuma kwa mabizinesi ang'onoang'ono ku Malawi kudzera mu pulogalamu ya FInES.*

*Appendix 4 - Sample Informed Consent*

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## INFORMED CONSENT FORM

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The standard consent form and/or information sheet must include the following elements which are considered the most important information:

**Research purpose and procedures:** This study is for academic purposes only and aims at evaluating the effectiveness of the FinES project. The fines beneficiaries will need fifteen (15) minutes to respond to the questionnaires while the Reserve Bank and World Bank officials will need thirty (30) minutes to respond to the questionnaires. The respondents will be requested to voluntarily complete the semi-structured questionnaire which consist of five sections for the FinES beneficiaries and 10 open-ended questions for the Reserve Bank and World Bank officials.

**Risks and discomforts of the research study:** There are no risks or discomforts to the research participants while they participate in the study. The researcher may encounter data breaches as a foreseeable event which will be managed by ensuring all the information collected is treated with utmost confidentiality and that there is no disclosure of personal or business name by the respondents to avoid psychological distress to the respondents. The researcher may encounter unforeseeable adverse events where there is technological failure. Since the questionnaires will be deployed both physical and online, respondents will need to use the physical questionnaires in an event of technological failure.

**Potential benefit of the research study:** The study will benefit the policy makes when it comes to Financial Inclusion, it will also benefit the World Bank and Reserve Bank so that they assess the impact that the FinES project has to the SMEs in Lilongwe district. The beneficiaries will also have an opportunity where they will address the particular concerns that they have towards the project.

**Alternative procedures:** Physical questionnaires and online questionnaires will be deployed (semi-structured and open-ended).

**Provisions for confidentiality:** The identity of the respondents will be kept confidentially and will be treated as anonymous. Respondents have a right to include their names or not. In case the respondent has included their name or business name, this will be treated with utmost confidentiality and the personal and business names will not be discussed while analyzing or reporting data.

**Research related injury:** The respondents will not be compensated for participating in this study.



**Voluntariness in participation and the right to discontinue participation without penalty:**  
The research is strictly for academic purposes and participation is on voluntary basis. Failure to participate will not lead to any loss of the respondents entitled benefits and the respondent is at liberty to stop participation at any time during the research process.

**Contacts for additional information:** For answers to pertinent questions about the research in an event of the research related injury to the research participant, you may contact the following:

Ms. Tupochele Maulidi, The principal investigator, C/O NBM Development Bank Limited, P.O Box 945, Henderson Street, Blantyre. +265 996 761 830

**UNIMAREC Chairperson Contact details:** Dr Victoria Ndolo, Chairperson of University of Malawi Research Ethics Committee (UNIMAREC), P.O. Box 280, Zomba. +265 995 0427 60

Do you agree to continue with the study?  YES  NO

Name of the respondent: **Mpumulo Magombo**  
Age: **45**  
Male/Female **F**  
Signature:   
Date: **2 August 2024**

Name of the interviewer:  
Signature:  
Date:

THANK YOU

