

Viability and welfare implications of project supported Small and Medium Agribusiness Enterprises in Malawi

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Abstract

The study intends to determine the viability of group based enterprises that have accessed microfinance services in Malawi. In addition, the study is also tracing the impact of such accessibility on the welfare of individual members of the targeted business groups. The financing constraints approach will be used in this study. The study will be conducted in selected districts in the Central and Southern regions of Malawi.

Key words: Malawi, poverty, microfinance, Small and Medium Enterprises, viability, welfare

Résumé

L'étude vise à déterminer la viabilité des entreprises basées sur un consortium qui ont accédé aux services de microfinance au Malawi. En outre, l'étude esquisse également l'impact d'une pareille accessibilité sur le bien-être des membres individuels des groupes d'entreprises ciblés. L'approche de contraintes de financement sera utilisée dans cette étude. L'étude sera menée dans les districts sélectionnés dans les régions centrales et australes du Malawi.

Mots clés: Malawi, pauvreté, microfinance, petites et moyennes entreprises, viabilité, bien-être

Background

Poverty is the main development problem confronting the Malawi government today. In recognition of the proliferation and intractability of poverty, the Malawi Government has developed a number of policy frameworks (both long-term and short-term) that act as overarching strategies in the quest to reduce poverty in the country. One of the recent frameworks developed was the Malawi Growth and Development Strategy (MGDS) which span between 2006 and 2011. However, a number of reports reveal that within the period that the MGDS were operational, poverty levels have declined by a meager 1 percent (from 40 percent in 2007 to 39 percent in 2010). In addition, this situation has prevailed against a background of increasing microfinance activity through either individual or development project induced group lending. This study attempts

to understand the performance of groups that have accessed funds from microfinance institutions for enterprise development.

Literature Summary

The Government of Malawi has since the late 1970's and early 1980's put up several initiatives in support of Small and Medium Enterprises' (SMEs') sector development (MoCI, 1999). Following these initiatives, the SME sector has developed steadily and plays a crucial role in Malawi (Chirwa, 2002). Burritt (2006) concurred with Chirwa (2004) and further reported that SMEs have become a visible and productive part of the Malawian economy in poverty reduction. Huppi and Feder (1990) reported that there was evidence of remarkable successful experience of group-lending programmes which has aroused a lot of interest for replicating in other countries. Huppi and Feder (1990) further reported that group lending programmes still tendered to be more successful than others even though Morduch (1998) noted that a careful examination of such evidence compared to standard lending programmes across different countries yielded a mixed picture.

Study Description

Currently, a desk study is on-going to establish the development project(s) that have/had a microfinance component targeting group based agribusiness SMEs. It is anticipated that the development projects that the study will engage with and the study site will be determined at the end of this process. The study intends to put to use the financial constraints approach in its assessment. The approach will be used to determine if the group members of the targeted business groups are better off under group lending. It is also expected that the approach will assist the study to determine if the respective SMEs are performing better and if they are more self reliant after accessing the microfinance services the businesses got courtesy of the development projects. The study will involve a household survey that will constitute the key source of primary data. Additionally, the study will conduct focus group discussions and key informant interviews with the relevant stakeholders to ensure that the data collected are adequate and reliable. In the process of data collection, the study will use participatory approaches and methods in order to foster sensitive and mutually beneficial dialogues. To capture the gender dimension of the study, at least a 30 percent female representation in the study activities (mainly data collection) is targeted. The main statistical package that will be used in data management and analysis will be STATA 11. Where need be, the Statistical Package for Social Sciences 16 (SPSS 16) will also be put to use.

Research Application

The information generated will be shared with Government Ministries, SMEs and local and development agencies operating in Malawi.

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