AN INVESTIGATION INTO THE RELATIONSHIP BETWEEN TRAINING AND CREDIT REPAYMENT ON RURAL WOMEN ENTEREPRENEURS IN MALAWI. THE CASE OF KASUNGU DISTRICT

MASTER OF BUSINESS ADMINISTRATION THESIS

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UNIVERSITY OF MALAWI

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Submitted to the Department of Management, Faculty of Commerce, in partial fulfilment of the requirements for the degree of Masters of Business Administration (MBA)

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DECLARATION

I declare that this is my own work. It is being submitted to the University of Malawi in partial fulfillment of the requirement of the MBA programme and it has not been submitted for any degree or examination in any University. Where other writers' work has been used, acknowledgement has been duly given.

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CERTIFICATE OF APPROVAL

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

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Name: ________________________________

Head of Department

DEDICATION

To my lovely and beautiful wife, Wandekha for love, support and encouragement.

ACKNOWLEDGEMENT

I thank God for the gift of life. I thank my supervisor Dr Ndione Chauluka, for the friendly advice and support. My heartfelt appreciation to the young and intelligent Mr Ekari Chauluka for the insightful comments.

I thank my employer Microloan Foundation Ltd and all the students of MBA 13 for all the support throughout the work.

My family, for the encouragement that I should find time to do this work despite pressure of work.

ABSTRACT

This paper investigates the relationship between training and credit repayment in microfinance clients. The case is set in Kasungu District, the central part of Malawi. The case study follows the lending and training methodology of Microloan Foundation Ltd, a non-deposit taking microfinance institution, regulated by the Reserve Bank of Malawi (RBM).

A sample of 100 women were sampled using selection methodology for the Microloan Foundation Ltd. Five groups of twenty clients in five different villages were formed as follows; Mtanda Credit Group (Control group), Limbikani Credit Group, Tigwirizane Credit Group, Lunyangwa Credit Group, and Makungulu Credit group.

The control group was denied training and granted loans as the treatment group. The treatment group was thoroughly trained and advanced loans according to their business requirements. Loans were granted for two cycles for both groups.

Training knowledge level for the treatment groups was found to be at 23% in the first cycle and 53.4% in the second cycle. Repayment rate improved from 86% in the first cycle to 91.25% in the second cycle.

The results of the training level for the treatment group were correlated with the repayment rate using the Pearson Correlation coefficient. Calculating the coefficient r, using business knowledge level as an independent variable x, and the repayment rate as the dependent variable y, the result was found to be $+1$.

The conclusion of the research shows that there exists a positive correlation between training of clients and their repayment ability such that when the level of business knowledge increases so does the repayment rate. The research also observed other influencing factors on the repayment rate, such as cultural influence, fear of reprisal by community members, and the effectiveness of the training officer.

TABLE OF CONTENTS

Declaration ii
Certificate of Approval iii
Dedication iv
Acknowledgement v
Abstract vi
Table of Contents vii
List of Figures x
List of Tables xi
List of Abreviations and Acronyms xii
Appendices xiii
CHAPTER ONE: INTRODUCTION 1
1.0 Introduction 1
1.1 Background of the Study 1
1.2 The MicroLoan Foundation Ltd 3
1.3 Research problem 5
1.4 Research Objectives 6
1.5 Significance of the Research 6
1.6 Structure of the Thesis 7
1.6.1 Chapter one 7
1.6.2 Chapter two 7
1.6.3 Chapter three 7
1.6.4 Chapter four 7
1.6.5 Chapter five 7

1.7 Chapter summary 7

CHAPTER TWO : LITERATURE REVIEW 8

2.0 Introduction 8

2.1 Understanding the term 'Microfinance' 9

2.2 Loan repayment and Sustainability of MFIs 12

2.3 Training and loan repayment 14

2.4 Impact of Training on Women Entrepreneurs 17

2.5 Microfinance and Loan Default........ 20

2.6 Conclusion........21

2.5 Chapter Summary 22

CHAPTER THREE: RESEARCH METHODOLOGY 23

3.0 Introduction 23

3.1 Research philosophy 23

3.2 Research approach 24

3.3 Research strategy 24

3.4 Sampling method 24

3.5 Data collection 25

3.6 Data collection tool 25

3.7 Data analysis 27

3.8 Limitations of the research 27

3.9 Research ethics 28

3.10 Chapter summary........28

CHAPTER FOUR: RESULTS AND DISCUSSION........29

4.1 Introduction........29

4.2 Level of business knowledge........ 29

4.3 Granting of loans…………………………………..…………………………30
4.4 Loan Repayment – First Cycle 32
4.5 Loan Disbursement – Second Cycle 33
4.6 Loan Repayment - Second Cycle 35
4.7 Level of business knowledge after the second cycle 37
4.8 Correlation 38
4.9 General group problems and solutions 39
4.10 Chapter Summary 40
CHAPTER 5: CONCLUSION AND RECOMMMENDATION 41
5.1 Introduction 41
5.2 Summary of Findings and Conclusions: Linkage to Research Objectives 41
5.2.1 Training and Business culture 41
5.2.2 The importance of loan repayment in business success 42
5.2.3 Additional components with a bearing on credit repayment 43
5.2.4 Training and Repayment rate 44
5.2.5 Recommendation 44
5.2.6 Areas for further Research……….……………………………………..45
REFERENCES 46

LIST OF FIGURES

Figure 4.1 Baseline results – Control group 31
Figure 4.2 Baseline results – Treatment groups 32
Figure 4.3 Loan amount histogram – Control group, cycle 1 34
Figure 4.4 Loan amount histogram – Treatment groups, cycle 1 34
Figure 4.5 Loan amount histogram – Control group, cycle 2 36
Figure 4.6 Loan amount histogram – Treatment groups, cycle 2 36
Figure 4.7 Performance comparison – Control group 38
Figure 4.8 Performance comparison- Treatment groups 38
Figure 4.9 Comparison of business knowledge – Control group 39
Figure 4.10 Comparison of business knowledge – Treatment groups 40

LIST OF TABLES

Table 3.1	Outcome of client screening	28
Table 4.2	Distribution frequency for loan amounts	33
Table 3.3	Repayment results cycle 1	35
Table 4.4	Repayment results cycle 2	37
Table 4.5	Comparison of business knowledge and repayment	40
Table 4.6	Summary of the problems and solutions	41

ABBREVIATIONS AND ACRONYMS

DFID	Department for International Development
FINCA	Foundation for International Community Assistance
HDR	Human Development Report
ILO	International Labour Organisation
IVRDP	Inland Valleys Rice Development Project
MAMN	Malawi Microfinance Network
MFI	Microfinance Institution
MLF	Microloan Foundation Ltd
NGO	Non Governmental Organisation
NSO	National Statistical Office
PAR	Portfolio At Risk
RBM	Reserve Bank of Malawi
SEED	Small EnterprisE Development
UK	United Kingdom
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WDI	World Development Indicators

APPENDICES

APPENDIX I: THE MICROLOAN FOUNDATION TRAINING MODULE 39

APPENDIX II: QUESTIONAIRES 48

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter discusses background to training and repayment of loans done by small business owners in Kasungu District, its importance, rationale for the study, objectives and the structure of the thesis. The chapter further discusses the Microloan Foundation Ltd, whose methodology is used for the study. The research problem is discussed in depth as a foundation for the origin of the study.

1.1 Background of the study

It is estimated that 1.28 billion people in the world live in extreme poverty, World Bank report (2012) defining extreme poverty as 'living under $1.25 a day'. Out of a population of 13.1 million people in Malawi, 74% live under the $1.25 poverty line (United Nations Development Programme Human Development Report [UNDP HDR], 2013).

According to the World Bank Development Research Group (2009) the poverty trend suggests a declining position up to 2005 with people living below $1.25 a day at 85.3% in 1981, 91% in 1990 and 74% in 2009, The decline is in part attributed to the proliferation of Microfinance institutions (MFI's) in the country whose primary objectives have been 'to combat poverty' (Morduch, 2000). This is consistent with the impact of microfinance activity on poverty reduction elsewhere.

For example in Tanzania, Kessy and Urio (2006) in their research paper, found out that MFI's activities 'changed the life of the poor in a positive way. MFIs' clients increased their incomes, capital invested and therefore expansion of their businesses. In Nigeria, Jegede, Kehinde, and Akinlab (2011) concluded that 'there is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them.'

However the rate of proliferation of MFI's does not favourably compare with the reduction of poverty level as envisaged. Around the 1990's there were less than five MFI's and poor people living under $1.25 a day was 74%. There are now 15 registered microfinance institutions according to the official publication of the Reserve Bank of Malawi in 2014. The Malawi

Microfinance Network (2014) reports that there are 40 microfinance operators, who are directly involved in microfinance activities and 26 of them are its members. Yet the Human Development report (2013) shows that '74% of Malawi's population lives below the poverty line of $1.25 per day'.

While therefore there is an increase in the number of institutions involved in microfinance activities, and there is evidence elsewhere about the positive impact these activities have on economic well-being of people, the statistics do not show the same results for Malawi.

The dissatisfaction arising from slow poverty reduction has also been in itself the source of numerous initiatives by the Malawi Government that are meant to, primarily, reach these poor rural people. Access to financial services to Malawian population has been at the heart of the financial services regulator, the Reserve Bank of Malawi, with initiatives like 'Financial Inclusion' being supported by international bodies like the World Bank. The rationale is to make financial services accessible to the most rural people which comprise 'over 85% of the population' according to the Institutions Serving Households survey conducted by the National Statistics Office in Malawi (2013). It is evident that banks, the traditional providers of financial services have not done well in providing financial services to the rural masses. Sharma and Nagarajan (2011) noted that:

> The use of formal financial services in Malawi is found to be limited due to at least four reasons. First, although a majority of Malawi population lives in rural areas, formal financial institutions are mostly located in urban and semi-urban areas, physically distant from the rural households. Second, rural households face obstacles to opening a formal bank account.. third many banks also require formal identification cards… that many find prohibitively expensive to procure. Finally, these households lack adequate information regarding access to and use of formal financial services (p.6).

As a result the microfinance institutions have identified a business opportunity due to this gap. Chirwa (2004) notes that 'in the absence of formal banking services, the informal financial sector has proved vital for the rural population'[1]

[1] Chirwa segments the financial system into the formal, semi informal, and informal, describing the informal as those institutions that provide financial services but are not licensed. In 2012, the Reserve Bank of Malawi issued directives that compel all institutions providing any financial services to be licensed by the Reserve Bank of Malawi

Yet among the MFI's it is generally agreed that such growth depends, in the main, on the ability of clients to repay and hence intensified efforts to make those clients able to repay. Mamun, Wahab and Malarvizhi (2011) agreed that 'the survival of microfinance institutions and their ability to provide financial services to a large number of poor household depends on repayment performance on the loans advanced. This also enables them to achieve institutional financial self-sufficiency'.

Onyeagocha (2012) advocates that there are benefits to be gained by both the clients' business in terms of increasing business value. The microfinance institution also registers growth through a good and consistent repayment trend by its clients.

It is not surprising therefore that a comprehensive approach has been taken by MFI's to find ways in which their clients are able to repay their loans and hence provide a base for expansion. Such approach has been characterized by comprehensive training programmes to the clients. These training programmes are primarily meant to help the clients in basic business management skills, basic financial management skills and group dynamics. The strategic intention in these initiatives is for clients to repay their loans.

As loans are repaid, these institutions will receive enough interest income that increases their sustainability. As they become more sustainable, they necessarily create a base for expansion. It is for this reason that microfinance institutions like CUMO Microfinance Ltd, The Foundation for International Community Assistance (FINCA) and Microloan Foundation are well known for providing training to their clients before a loan is disbursed.[2]

1.2 The Microloan Foundation Ltd

The Microloan Foundation was established in Malawi in 2002 as a not-for-profit institution. It has its headquarters in the United Kingdom (UK). In the UK, it is registered as a charity with its main focus in the sub-Saharan Africa. The organization has a strong entrepreneurial culture and it mainly targets women entrepreneurs as it is generally believed that there is 'significant contribution that women make to enterprise creation and employment' and ultimately to the well-being of the whole family (Richardson, Howarth, & Finnegan, 2004). Moreover lending to women generates considerable secondary effects including empowerment of a marginalized segment of society (Yunus and Jolis 1998, as cited by Abbott, Lamb, Mainsa, & Eippera 2004).

[2] Three year business plans for MLF, Finca and Cumo

The organization serves approximately 26,000 clients across the country with 17 outlets with average loans of about K35, 000 per client[3]. The model is based on identification of willing clients, who are given training in basic group dynamics, business management skills, and elementary financial management skills. Loans are then provided to clients who complete the first round of training. The determination of the loan amount is then made after completing the training session.

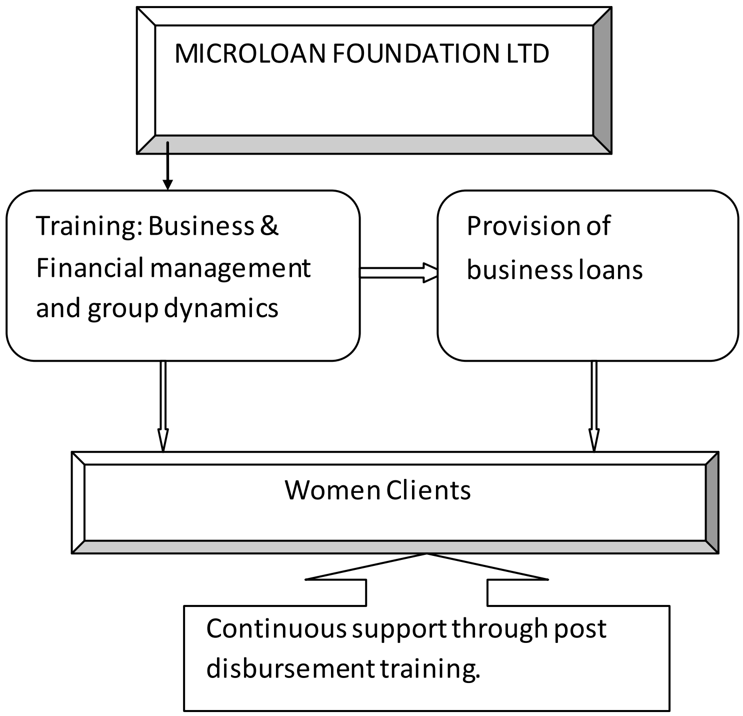

Diagram 1.1: Simplified business model for Microloan Foundation Ltd

Microloan Foundation provides a two-pronged approach to reach out to its clients. As the diagram illustrates the organization provides training in basic business and financial management skills to all potential customers. Loans are then disbursed to clients who are ready for investment in their respective business. Continuous support and monitoring of the clients' businesses performance is an ongoing activity for the field staff.

[3] Microloan Foundation Limited performance report for March 2014

1.3 Research problem

The assumption of the dependence by MFI's financial survival on the ability of its clients to repay the loans holds true because of its business sense. The interest income derived from the repayment ordinarily grows the institution financially. This logical business dependence is well summarized by Onyeagocha (1997):

> It is reasonable to expect that an impressive loan repayment rate would be mutually beneficial to both the farmers/micro-entrepreneurs and loan institutions.. For the financial institutions, which depend mainly on interest income for their institutional growth, prompt loan repayment would mean enhanced profitability and robust growth (p.5).

The above begs the question, how do MFI's ensure that their clients repay the loans that they obtain? Traditional lending has insisted on collateral as one of the conditions for a loan because among other things, 'taking collateral incentivizes the borrower to repay the loan' (Leitner, 2006) and therefore reduces credit risk. It is thus the primary consideration when assessing loans from borrowers in the traditional lending set-up. In Nigeria, Nwuba, Engwatu, and Salawu (2013) found out that banks in Nigeria placed greater emphasis on security of credit, like real estate, to ensure repayment of the loan by the borrower. By contrast, as observed by Bond and Ashok (2002), microfinance institutions operate in environments 'where collateral is scarce'. Hence MFI's have sought alternatives arrangement such as social collateral, most notably group lending.

It will be noted that the major objectives of such alternatives is to incentivize the clients to repay. Repayment through such incentives, as Microloan Foundation Ltd believes, can be enhanced through training. This is achieved through, explaining to the clients the advantages of repaying their loans on time which is done through provision of training that is meant to assist them run their businesses well and eventually realize more profits for them to repay their loans. Dunford (2002) suggests that as a result of the failure of microfinance institutions to live up to their mission of reducing poverty of their large number of clients there have been "innovations that can help enhance their contribution to the welfare of their clients'. One such innovation Dunford (2002) observes is a combination of microfinance with other non-financial services, including business training"

Yet most of the clients that MFI's deal with are illiterate. This, along with other factors, raises the question as to whether the repayment rates most of them in the region of 95%, is as a result of the training as intimated. In other words, the problem that this research is trying to address is whether the ability to repay is directly influenced by the training administered to the women of such low literacy levels and hence establishes an outright positive correlation between such training and repayment ability.

1.4 Research objectives

The research has one main objective and three sub objectives.

1.4.1 The main objective

The main objective is to investigate the relationship between training delivered to women entrepreneurs and the repayment of loans.

1.4.2 Sub Objectives

1.4.2.1: The importance of training in influencing better business culture among women micro entrepreneurs.

1.4.2.2: The importance of loan repayment in business success.

1.4.2.3: To identify additional components, if any, outside the basic business and financial management training that may have a bearing on credit repayment.

1.5 Significance of the research

The research gets its importance from the fact that in order that the population of poor rural Malawian women should have access to financial services, microfinance institutions like MLF must expand to increase outreach to the remotest areas of the country. However that growth is only dependent on the fact that existing clients are able to repay their debts to create resources for such expansion. It is nonetheless the responsibility of the microfinance institutions to ensure that the clients get the right training to facilitate the above intention.
With additional components that have significant bearing on the credit repayment, it should help microfinance institutions incorporate those components in their training programs to complement the existing training programs. In such a way the research will significantly help to contribute to the provision of various training models that is fit for strategic purpose for microfinance players.

1.6 Structure of the thesis

The thesis is arranged in the following manner:

Chapter one

This chapter outlines the background to the research and discusses the overview of the micro loans as practiced by the MicroLoan Foundation Ltd. The chapter tackles the objectives of the research, its significance and the purported limitations. The chapter ends with a summary.

Chapter two

This chapter deals with literature review. This includes the critical analysis of different scholars' views on the performance of small businesses of rural women. The chapter also attempts to analyze some empirical evidence from eminent scholars in this field.

Chapter three

Research methodology is critically looked at in chapter three. The procedures taken in preparing for the field research and problems encountered in the data gathering are discussed.

Chapter four

This chapter analyses the data collected by use of Statistical Package for Social Sciences (SPSS) software that enables individuals to do data analyses. Presentation of the findings in a manner that reveals trends as well as aiding the formulation of conclusion are also accomplished in this chapter.

Chapter five

This chapter covers conclusions and recommendations. The conclusions are drawn from a comparison of the literature review and the research carried on the women entrepreneurs.

1.7 Chapter summary

In this chapter, the background to the research and the activities of the Microloan Foundation Ltd have been highlighted. An outline of the objectives of this research and the justification of the research have also been given. The chapter ended with an outline of the thesis and a chapter summary.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will critically review the relevant literature that directly relates to the main concepts in the research and such review will include scholarly writings on training and microfinance credit repayment practice. Further a review will be made on the actual training content as provided by MLF.

The review will directly link to the main objectives of the research, the relevance of training that is administered to women micro entrepreneurs to the repayment of the loans that they access from microfinance institutions like MLF. Literature that revolves around the ancillary objectives will also be examined, that is, what is the importance of loan repayment in the success of their business, and literature discussing the overall determinants of the success of the businesses that they engage in.

The significance of such review will be to identify such other factors that could be included in the overall training that were omitted. If these factors are included in the training package, a definite success path for the business could be determined, and if positive correlation exists with the repayment trend, microfinance institutions should see better repayment rates and therefore increased return. It is hoped that such return should necessarily translate into a desire by the institutions to expansion and eventually reach a greater number of clients in need of micro finance. This should lead to increased economic activity and ultimately lead to increased welfare of the society.

Basic concepts will be examined first as they relate to their usage by different authors. These are the clear definition of microfinance, different microfinance models, training and loan repayment, delinquency and default, a full examination of the training literature of MLF, (Appendix I). A full review of the literature dealing with a detailed discussion of the relationship of the basic concepts will follow. The chapter will then conclude with specific isolation of the basic understanding of the literature reviewed and how they contribute or otherwise to the research at hand.

2.1 Understanding the term 'Microfinance'

The general understanding of microfinance derives from two basic words, 'finance' and 'micro'. It generally refers to the provision of small loans to people who are banks perceive as not creditworthy. The Consultative Group to Assist the Poor (CGAP), a leading authority in microfinance defines microfinance as:

> provision of financial services to low-income people. It refers to a movement that envisions a world where low-income households have permanent access to high-quality and affordable financial services to finance income-producing activities, build assets, stabilize consumption, and protect against risks. Initially the term was closely associated with microcredit—very small loans to unsalaried borrowers with little or no collateral—but the term has since evolved to include a range of financial products, such as savings, insurance, payments, and remittances (The Consultative Group to Assist the Poor [CGAP], 1998, p .2).

Rogaly, Fisher and Mayo (1999) observe that 'microfinance refers to a range of services: the provision of small loans, savings facilities with no minimum deposit (or a very low minimum deposit), and other financial services such as insurance, money transfer or bill payment designed appropriately for people who are low incomes or financially excluded for other reasons. Churchill and Gronkiewicz (2006) further underlines the very core of microfinance in their assertion that 'microfinance is commonly associated with small, working capital loans that are invested in microenterprises or income-generating activities'. The definition adds a very important dimension to the very understanding of microfinance, that the small loans advanced to the poor are or should ultimately be invested in income generating activities.

Microfinance thus presupposes the existence of the poor, financial institutions who are willing to provide finance or loans that are typically small, or micro to facilitate participation of these poor people in the formal financial services industry. The ultimate goal of microfinance institutions therefore as found out by Kessy and Urio (2006) in their research paper, is to change 'the life of the poor in a positive way'.

There are different models of microfinance according to the ultimate strategic objectives of microfinance institutions and the poor being served in particular locations. The most common lending approaches and microfinance credit models are described below:

2.1.1 Group lending

The group lending model is also commonly known as "peer lending" and normally has a number of members ranging from four to eight individuals. They form a group which usually becomes the 'borrower'. Each member of the group has their portion of the overall loan. The members self select and mostly live in the same locality and neighborhood becomes the main reason for being in the group. Other variables that the group considers are reputation and commitment to carrying on some kind of business activity. Of utmost importance in this kind of model is the peer and group solidarity. Each member is obligated to contribute as mutually agreed.

This arrangement is beneficial to the MFI in that recovery of the loan is imposed on all members .The burden of loan repayment is effectively spread on more shoulders than a single borrower hence risk from the institution's perspective is spread. It is the responsibility of the entire group that every loan payment is made on time according to an agreed repayment schedule. This has the implication that consequences apply to the whole group in case of loan default. Most common consequence for the poor is the loss of reputation and "creditworthiness". After a successful repayment of the loan the group is eligible for another loan. In this model, Hazeltine, Barrett, Bull and Christopher (2003) observe, that 'an MFI has less work to do since the borrowers of the groups have most of the responsibilities such as: forming the group and selecting the right members, administration and organization of repayment plan and scheduling group meetings and meetings with the loan officers from the MFI' This is the model that MLF follows.

2.1.2 Village banking

Village banking describes a community-based credit and savings association, run by a village or the community itself. The model was founded by John Hatch, the founder of the American NGO FINCA (Felder-Kuzu, 2005). With this lending model, members of the village typically women, join to take out a big loan from an MFI . The number of members in the groups usually ranges from 25 to 50.They severally also act as guarantee for the loan. The loan is administered by a self appointed village committee. The sole responsibility of the committee is to further distribute the loans according to the individual needs of the members of the group. The normal payback periods range from 4 to 12 months and only after completion a new loan can be taken for the community. In this model 'the role of the MFI is to assist only in administration and technical issues' (Hazeltine & Bull, 2003).

2.1.3 Grameen model

The Grameen model was invented in 1976 by Professor Muhammad Yunus, the founder of the Grameen Bank. The model proved to be successful and today is practiced in more than 250 outlets of Grameen Bank in more than 100 countries (Yunus, 1999). The Grameen model has been copied and modified many times according to the respective needs of regional markets and clients. Therefore many other models are extensions of, or derived from, the Grameen Model.

Basically a new branch of the MFI is set up in a village with a field officer and some qualified workers, who have already done research on the population there in advance and made their choice according to its potential demand and its need of financial support. Up to 15 – 20 villages are supported by the bank's employees and strive to make the local poor people aware of the microfinance possibilities through word of mouth and personal advisory. The lending process is similar to the solidarity group approach. Groups of between five and ten are created.

In the first instance only two members of the group receive a loan and are monitored for one month. 'The credibility of the group will then be based on the repayment performance of the first two individuals' (Hazeltine & Bull, 2003). If they are reliable and could pay back their loan, the remaining members qualify for a loan as well, since the group is jointly and severally liable for the single members. Armendáriz and Morduch (2005) said that 'loans go first to two members of the group, then to another two, and then to the fifth group member' Given that loans are being correctly and timely repaid, the cycle of lending continues.

2.1.4 Individual model

The individual model is the most expensive and labor-intensive model for the MFI. Here clients have to be monitored and far more and deeper field research is necessary in order to choose the right clientele, especially because these people have no tangible collateral or credit history and in most cases are illiterate. Sources of information for the field officer are the family, friends and leaders of the community (Hazeltine and Bull, 2003). It is not unusual that the borrowers need to have a bailsman out of the family or community in order to receive a loan (Felder-Kuzu, 2005). With this model, the loan is given directly to the borrower and it is his/her sole duty to pay back the full amount plus interest rates without financial support from a group in case he/she defaults.

Technical assistance as well as payment schedules and business management training is generally provided by the MFI (Hazeltine & Bull, 2003).

These are not the only microfinance models existing. There are other models that have been tailored and modified according to the needs of the poor in different developing countries. The aforementioned models only are an indication of the core and most paractised in most countries.

2.2 Loan Repayment and Sustainability of MFIs.

2.2.1. Sustainability of MFIs

The quest by MFIs for bigger outreach for the rural masses, is dependent largely on the financial resources that the MFI is ready to commit to such cause. The availability of such resources is impacted by how much return the institutions get out of the investment that the shareholder invests. The repayment rate of the loan portfolio ultimately influences the bottom line.

Although one would make an erroneous assumption that sustainable MFIs are typically for-profit commercial companies, this assumption is not supported by research. Actually, 'almost two-thirds of the sustainable MFIs are NGOs, cooperatives, public banks, or other not-for-profit organizations' (Rosenberg & Richard, 1996). Sustainability in general means the 'ability of a program to continuously carry out activities and services in pursuit of its statutory objectives. For an ideal MFI this would mean the ability to continue operating as a development financial institution for the rural poor' (Khandker & Khalily, 1995). Since MFIs are increasingly viewing their financial service delivery as profitable businesses, it is of great importance to constantly look for possible cost reductions or reallocations in order to operate profitable and economically viable. For a better understanding of the profitability and sustainability, ratio analyses are often used. In the following part different forms of sustainability and ratio analyses are examined and the principle of "double bottom line" of MFIs is discussed.

2.2.1.1 Operational sustainability

Operational sustainability is closely linked to the concept of operational self-sufficiency (OSS) which measures operating revenue as a percentage of operating and financial expenses, including loan loss provision expense. 'If this ratio is greater than 100 percent, the MFI is covering all of its costs through own operations and is not relying on contributions or subsidies from donors to survive' (Churchill & Frankiewicz, 2006). OSS in general includes all the cash costs of running a MFI, depreciation and the loan loss reserve and is calculated with the formula:

$$\frac{\text{Financial Revenue (Total)}}{\text{(Financial Expense + Loan Loss Provision Expense + Operating Expense)}}$$

(Microfinance Bulletin, 2008)

Operational sustainability actually refers to the future maintainability of the MFI's OSS. For MFIs it is one of the major goals to achieve OSS in order to maintain viable and further growth in their operations.

2.2.1.2 Financial Sustainability (FSS)

In general financial sustainability describes the ability to cover all costs and indicates the institution's ability to operate without ongoing subsidy (i.e. including soft loans and grants) or losses. The FSS indicator 'measures the extent to which a MFI covers adjusted operating expenses with operational income and is calculated by

$$\frac{\text{Adjusted operating income}}{\text{Adjusted operating expense}}$$'

(United Nations Capital Development Fund (UNCDF), 2009)

Ledgerwood (1999) adds that the 'FSS indicator should show whether enough revenue has been earned to cover direct costs, (including financing costs, provision for loan losses and operating expenses) and indirect costs (including adjusted cost of capital)' . Due to the fact that donor support is not unlimited in reality, financial viability of microfinance services is crucial for expanding outreach to large numbers of the world's poor. Moreover the retention of profits of microfinance operations is important to capitalize growth (CGAP, 1998).

Adjusted means showing how MFIs would look like on an unsubsidized basis with funds raised on the commercial market; plus inflation adjustments.

This also indicates that 'financial services are priced so that their costs are covered and they do not disappear when donors or governments are no longer willing or capable to subsidize them' (Christen, Robert , Rosenberg, Richard, & Jayadeva, 2009). It is obvious that MFIs need to cover both their operational as well as their financial costs in order to maintain their position in the market in the long run. Especially by covering the financial costs they get access to the capital markets and to commercial capital which then allow MFIs to increase and grow their loan portfolio and clientele outreach. MFIs can as a rule 'serve their poor customers best by operating sustainably, rather than by generating losses that require constant infusions of undependable subsidies' (Christen et al., 2009).

Out of the approximately 10,000 MFIs worldwide, it is estimated that only 3 to 5 percent have achieved full financial sustainability (Dichter & Harper, 2012). Moreover there is still a huge gap between supply and demand of micro financial services which cannot be filled with unsustainable MFIs in the long run. As a rule of thumb, MFIs with annual losses of about 5 percent tend to become unsustainable (Christen et al, 2009). A very important aspect that needs to be considered when looking at the rather small number of sustainable MFIs is the size of these institutions.

In summary therefore, if an MFI operates viably by making profits, 'it will lead to an increased outreach with a larger number of clients' (Asian Development Bank, 2011). This inevitably entails a greater percentage of loans that have been disbursed a collected so that interest earned contributes to the sustainability.

2.3 Training and loan repayment

2.3.1 Concepts of training

There are different perspectives to the notion of training. Training can be seen as 'coaching in or make accustom to a mode of behavior or performance, or to make proficient with specialized instruction and practice' (Houghton, 1992)

The primary purpose of carrying out training would be linked to a specific objective like improving the trainee's capability, performance or capacity.

Such an understanding depicts the notion of having a goal to which certain competence is expected, and the process of training is meant to achieve that goal. Training in the context of credit repayment however leans towards proficiency in business management skills necessary to carry on a small scale business successfully. This would translate into the earning of adequate profits and sufficient cash flows to cover loan repayment agreements. From that perspective training in this context is not directly linked to the ultimate objective but the sole purpose of carrying out that training is but a necessary outcome of the process, thus proficiency in business management skills, leading to attainment of desired degree of competence in business, leading to success in that business that feeds into credit repayment.

The concept of training can also be viewed from a human resource management practice perspective. Armstrong (2009) defines training as 'the use of systematic and planned instruction activities to promote learning'. Salas, Dickinson, and Tannenbaum (1992) shares the same view of systematic acquisition of knowledge (thoughts) skills (deeds) and attitudes (feelings) that lead to improved performance in a particular environment. This view advocates that training is a means to achieving one of the organizational pillars, learning.

Mullins (2006) suggests that training contributes significantly to the success of an organization as it directly impacts learning of individuals who are at the core of the organization. He further links training with development objectives of an organization. In short the training aspect is viewed as the channel to achievement of organizational objectives through learning and development.

By contrast, although training of women entrepreneurs contributes to their development, the direct link to the achievement of the organizational objectives can hardly be advocated for ethical reasons. It is nonetheless an essential and integral part of MFIs' objectives as long as it ultimately contributes to the growth of the institution through high credit repayment rates, and this linkage is only but indirect.

MLF believes in training of women in basic business management skills and has very well structured approach to undertaking training with the aim of assisting poor women entrepreneurs to get out of poverty through successful business undertakings, hence timely and smooth credit repayment for the loans that they have taken on. Broadly the training encompasses group dynamics, basic leadership skills, basic record keeping, basic financial management skills (importance of savings), and basic marketing skills for their business.[4]

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[4] Source: Microloan Foundation Ltd, Operational Excellence Strategic document, 2012

In general therefore the concept of training has the same meaning both from the general human resource management perspective and streetwise understanding of the same from the clients of MLF that is to enhance learning in a particular objective with the aim of achieving some goal whether remotely or indirectly.

2.3.2 Types of Loans

Loan by the general understanding refers to a 'financial facility which enables a person or business to borrow money to purchase, that is take immediate possession of, products, raw materials and components, et cetera and to pay for them over an extended time period' (Davies, Lowes, & Pass, 1993). It can be seen that from the very definition of credit, it is impossible to think about the understanding of repayment in isolation. Repayment forms the very backbone in the understanding of credit. When the debt is taken on, it is expected that it will be repaid and a 'financial failure of a borrower represents credit default' (Sy, 2007)

Credit in MLF refers to small loans, categorized in different options to suit the business requirements of the rural women. These loans can be used for any legal purpose and have varying repayment terms, that is interest rates and repayment period.
There are different credit products that MLF offers and briefly these are outlined below with their features:

i) Standard Loan

Eligibility to a standard loan is to women groups of 10-25 members with the age range from 18 to 65 years, from one village with letter of introduction from the village head. Initial loan amount does not exceed K25, 000 for new members and any amount not exceeding K100, 000 for old members. Initial savings is 20% for initial new loan and 10% for subsequent loans being accessed. Repayment frequency is fortnightly and the loan is repayable over a period of 4 months.

ii) Bridging Loan

The bridging loan was designed to 'bridge' clients from standard loan to bankable clients. To access a bridging loan, clients will have been members of a standard loan group and their business has grown. The groups are smaller, usually 3 to 9 members with higher amounts up to

K220, 000. Clients of a bridging loan group have an impeccable loan service history. The loan is repaid over a period of 6 months with a monthly repayment frequency.

iii) Agriculture loans

These are loans available to clients to engage in agricultural farming. The group would choose whether to do irrigation based agricultural farming or rain-fed agricultural farming. The amounts in this type of loan varies with the prices of inputs but can be of a maximum of K200,000 depending on the ability to do substantial commercial farming. The loan will be repaid over a period of six months with a grace period of 2 to 4 months depending on the maturity term of the crop chosen by the clients.

iv) Makwelero Loans

This, literally translated means, 'ladder'. This is for clients who have medium sized businesses and are self-assertive to develop their business and have served in consecutive three standard loan cycles or more without arrears or defaults. The characteristics of this loan product do mirror those of a bridging loan.

v) Chiyambi Loans

This, literally translated means, 'beginning'. This loan is targeted to the lowest segment of the poorest of the clients in the communities who are willing to start a business but are afraid and would like to start really small. The characteristics and features of this product are much like those of a standard loan but with much lower loan limits and flexible pricing.

2.4 Impact of Training on Women Entrepreneurs.

Leach et al. (2000) examined at length the impact of training for women entrepreneurs in Ethiopia, Sudan, India and Peru.

The paper identified four indicators by which to measure the effectiveness of training namely income, access and control of resources, status, and quality of life. Its main objective was to investigate whether a direct link could be established between delivery of training and the aforementioned variables for the women entrepreneurs participating in micro credit and micro finance.

The research acknowledged the same beliefs that micro finance for women forms a very important contribution in the economic development of a specific country where the research was conducted and the assumptions were that 'training can be an important component in poverty alleviation as there is documentary evidence that when women are involved in economic activity they are more likely to use the proceeds on the household'.
However it was generally believed that little has been done to provide adequate training for their economic activities to be meaningful. The potential impact of such training, it was further assumed in the paper, 'goes beyond increased income'.

The paper further outlined the kind of training that would be provided and is broadly in line with the general training delivered to women entrepreneurs in most microfinance institutions in Malawi, including MLF. The research categorized the training into two namely, business and technical training. Business training included generic skills like market research, bookkeeping. Technical training among others included confidence building and gender relations with men.
In conclusion the research found out that 'in considerable number of cases, training did increase the women's incomes and social status' and further acknowledged that skills acquired in training ' reduced the women's vulnerability to crises' and most importantly the training so acquired could help the women 'make better use of credit.'

There are fundamental similarities in the research to the one being carried out now, most notably what really constitutes training, broadly the business and technical training. What differs fundamentally is the measurement of impact. The paper particularly measures the impact of training for outcomes like social status, etc which is really a necessary conclusion for prudent and beneficial use of credit, i.e. how well they repay the previous credit agreements will eventually impact on their incomes. It is worth noting that the authors of the research make an acknowledgement, albeit lukewarm that 'from the evidence provided by the research, there is no doubt that, without access to credit, much of the training would have had little impact on income levels'

The purpose of this research is to measure the impact of that training as a primary, fundamental requisite towards improved incomes, status etc; that is, how well the credit is used from the view point of repeated access to the credit which can well be ascertained by the degree of repayment.

Valdivia and Karlan (2006) researching on the impact of business training on microfinance clients and institutions focused their attention on Foundation for International Community Assistance (FINCA) in Peru. Their hypothesis was based on the denial that entrepreneurial skills are innate and random and sometimes inadequate business training administered to microcredit women entrepreneurs is a waste of time, and what the women require is credit to immediately apply their 'innate skills' onto business. Such hypothesis advocated by Mohammed Yunus, was seen as the gospel in microfinance coming from such an authority.

> I firmly believe that all human beings have an innate skill. I call it the survival skill. The fact that the poor are alive is clear proof of their ability. They do not need us to teach them how to survive; they already know. So rather than waste our time teaching them new skills, we try to make maximum use of their existing skills. Giving the poor access to credit allows them to immediately put into practice the skills they already know (Yunus, 1999, p. 62).

The research therefore measured the impact of training in basic business skills to women entrepreneurs for a well founded microfinance institution, FINCA. The measurable variables included retention of clients, that is, whether clients were likely to remain with FINCA. An improvement in economic status as a result of the training was also measured. The methodology used, save for the period of the study, is not dissimilar to the one deployed in this research (see below) that a control group without formal training was compared with a randomized sample who received regular and prescribed training and results compared over a period of twenty four months.

In conclusion the research found out that:

> Training led to better business practices and increased revenues and profits. Clients report engaging in some of the exact activities being taught in the program: separating money between business and household, reinvesting profits in the business, maintaining records of sales and expenses, and thinking proactively about new markets and opportunities for profits. The implementation of these strategies seemed to have helped clients increased business income, mainly by smoothing fluctuations between good and bad periods (Valdivia & Karlen, 2006, p. 15)

The research made positive findings on how microfinance institutions could improve the lives of their clients and maintain high retention rates for the growth of their institutions. However if such is the impact of training on clients and microfinance institutions, why would we see high default rates in microfinance institutions, with Portfolio at Risk (PAR), the measure of arrears and defaults against the portfolio, hovering above 7%. Is there something missing in the training that should positively contribute to healthy repayment trends for credit in microfinance institutions in general and MLF in particular?

2.5 Microfinance and Loan Default

2.5.1 Causes of Loan Default

Various studies have been carried out to particularly explore the causes of loan repayment default in microfinance clients. Bichanga and Aseyo (2013) particularly endeavored to find out the 'causes of loan default within microfinance institutions'. The study focused on Trans-Nzoia County in Kenya and was meant to provide useful insight into the factors that influence loan repayment with the aim of improving the overall performance of microfinance institutions.

The focus was specifically on three variables, non-supervision of borrowers, shrinking economic growth and diversion of loan funds by borrowers. The sample was 50 borrowers randomly selected from 150 micro finance institutions in a particular county in Kenya. It measured how each of these variables influenced the default rate (repayment ability) for these borrowers.
In conclusion the study found out that inadequate supervision of borrowers by loan staff on loan utilization and loan repayment led to the default of repayments. It further showed that a shrinking economy contributed to defaults in loan repayment. Likewise diversion of loan funds had a great bearing on loan repayment default.

Although the study included quantitative analysis on percentages of loan borrowers, for example, who were actually supervised, the conclusion of the specific impact which each of the variables had on default was qualitatively drawn, that is, it was based on opinions of staff and clients as to whether that particular variable had an influence on default or not. For example the study concludes that '32% of the borrowers' responded that the loans that they accessed were not intended for the purposes for which the loan were received. However it was the opinion of the staff (64%) that said borrowers were not using the loans for 'intended purposes'

That as it may the study has significance to the one being carried out. The writers have introduced variables that have a bearing on default, otherwise the level of credit repayment. Those variables looked at as a package, are constituent parts of the training that MLF offers to its clients. Proper loan usage for example is covered by training module number five. The supervision of clients is partly dealt with in first training session when basic group dynamics and support from Microloan Foundation are introduced.

A similar study was conducted in Nigeria in Ondo State that found out that there were factors that contributed to the loan delinquency in the small holder loan scheme in Ondo State. Okorie (1986) concluded that 'the nature, time of disbursement, supervision and profitability of enterprises' which benefitted from the loan scheme were the major causes of loan delinquency and hugely affected the repayment ability of farmers.

Pangani (2012) found out that there were particularly three variables that caused loan default in personal clients for Greenwing Microfinance in Malawi. The study revealed that gender, repayment period (24 months and 36 months) and the education level of applicants influenced the pattern in repayment trends.

However this research intends to measure what impact all the components (not only three variables) that constitute training according to MLF have on the repayment ability, and the measurement will be fully quantified from the loan repayment records. Further the factors that have a bearing on default are the very factors that are meant to be resolved, albeit indirectly in the Greenwing research. For example in determining the loan size, clients will look at factors like the repayment period for them to decide the appropriate loan size for their business.

2.6 Conclusion

In this chapter, an examination of the fundamental concepts that have significance on this research was made. Training concept was examined to ascertain its main understanding. A discussion on the relationship and dependence of loan repayment and sustainability of MFIs has been carried out. It has been established in this chapter that the literature and methodology that Microloan Foundation uses conforms to the main scholarly understanding of the concept of training.

Additional literature substantially from other researchers has revealed that training has some impact on the women clients and their business although this literature did not necessarily quantify the impact in relation to credit repayment. This research therefore endeavours to extend that finding as to what, if any, impact is there of this aspect of training to one specific variable of credit repayment, and if there is to what extent?

Other literature has provided useful insight into this research although from a negation standpoint. The chapter has examined what factors influence defaults in microfinance institutions. Such a perspective could provide insight as to what aspects of training would need to specifically be included in the whole training package in order to avoid such negative occurrence that would precipitate default in loan borrowers.

2.7 Chapter Summary

This chapter of literature review started with the introduction that discussed the main objective and essential concepts that would be examined in the chapter. Specific concepts like training, loan repayment, and institution sustainability were examined. The chapter examined at length the training literature that Microloan Foundation offers to relate it to the understanding of the central concepts of this research.

The chapter further examined the literature that looked at the general impact of training of women entrepreneurs and causes of default by loan borrowers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research methodology that was employed in the research. This included the research strategy, and why that particular strategy was employed, sampling procedure, data collection, and data analysis. It also includes the limitations to the methodology and research ethics and any potential problems that might have been experienced.

Two concepts form the linchpin of this research, training and credit repayment and in particular to define the exact relationship. What constitutes training in a particular set-up, in this case, MLF, whether the delivery does conform to the literature as examined in the previous chapter. Further one of the gaps identified in the last chapter was the fact that some conclusions were only made from a qualitative inference of a third party, for example, staff giving their opinion to the usage of an acquired loan. Collection of actual data both primary, (delivery of training) and secondary will be essential in identifying what needs to be done to bring optimum benefit to women entrepreneurs.

3.1 Research philosophy

The phenomenology philosophy was more applied to this research because it was illuminating the specific and identifying phenomenon by focusing on perceptions of actors in a situation.

Phenomenology is "the study of lived, human phenomena within the everyday social contexts in which the phenomena occur from the perspective of those who experience them" (Titchen & Hobson, 2005, p. 121). The phenomenological philosophy focuses on exploring how human beings experience the phenomenon, i.e. how they perceive it; describe it; make sense of it. Such an understanding is obtained through 'in-depth interviews with people who live with or have directly experienced the phenomenon' (Patton, 2002). Phenomenology relies on personal experiences to explore and understand the existing issue.

In this research training was treated as a phenomenon and an in depth interview with the recipients of training was conducted to get information about aspects of training that would have a direct bearing on their repayment or otherwise of the loan. Hence as secondary data is extracted from the repayment history of each individual, his/her perceptions will be sought as to how the results (repayment trend) relates to the influence of particular aspects of training that they received.

The major advantages of this philosophy, among others are, it helps to understand people's meanings, gathers data which is seen as natural rather than artificial and above all it contributes to the development of new theories. This perspective also has an advantage of generating thick descriptions of people's experiences or perspectives within their natural settings (Gray, 2004).

3.2 Research approach

The approach that was applied to this research was an inductive approach. Inductive approach refers to the one 'that primarily use detailed readings of raw data to derive concepts, themes, or a model through interpretations made from the raw data by an evaluator or researcher' (Thomas, 2006). This understanding of inductive approach is consistent with Strauss and Corbin (1998) description: "The researcher begins with an area of study and allows the theory to emerge from the data". Data had to be collected first and the data was analyzed and recommendations made from the analyses. Sunders, Lewis, and Thornhill, (2009) advocate that an inductive approach has the advantage of ultimately establishing a 'cause and effect' relationship. Moreover, they add, using an inductive approach 'is likely to be particularly concerned with the context in which such events were taking place'

The primary concern in this research is to establish, if any, whether there is a direct relationship between training and repayment, and hence the inductive approach. Further as recommended by Saunders et al. (2009), 'the study of a small sample of subjects might be more appropriate than a large number' in an inductive approach, this research has a small sample of women entrepreneurs being interviewed.

3.3 Research strategy

A survey was principally used in this research. Malhotra, Schuler, and Boender (2002) say that a 'survey is a structured questionnaire given to a sample of population and designed to elicit specific information from respondents'. Surveys are designed to gather information on such things as attitudes, intentions, awareness, behaviours, and motivations. Surveys usually have direct questions to the respondents.

As this research intended to measure the responsiveness, a behavior, of women entrepreneurs to the training, an awareness, that they received, this strategy was most befitting for the research under study.

3.4 Sampling method

A sample of 100 women representing five groups was then taken. The basis for determining the participants was that these were most poor women who do not have access to financial services, distant villages (50 or more kilometers) away from the main trading centres. All respondents were business women from the rural aged between 22 to 46 years, which were allowed to self-form into groups. Self selection has been found to 'increase self esteem, mutual trust and empowerment' (Umara & Saif, 2013)

Out of the 100 women, 20 were sampled randomly to constitute a control group that will have no formal training. The rest (80) received the formal basic training as provided by MLF and results compared. This method was used by Valdivia et al (2006) in their study as illustrated in the literature review.

The next step in the process was categorization of these clients into groups, and stratified sampling was adopted. Living in the same village was used as the stratum to identify the homogeneity of the sample. This was done to avoid bias of observation as clients would not be able to copy behaviour of other clients. This is also beneficial as a control group.

3.5 Data collection

This research used primary data, referring to 'facts, opinions and statistics that have been collected together and recorded for reference or for analysis' (Sunders et al., 2009). The primary data was collected from the business women from the rural areas in Kasungu District. Secondary data was only used in the instance of the training program that was used by Microloan Foundation and this was collected through reports produced by the institution's management information system.

3.6 Data collection tool

This research used the questionnaire method. The questionnaire method was used because it is an effective tool for gathering a snapshot of information about the subject under research. It also is appropriate in research that requires a large number of closed questions and small number of open-ended questions. The questionnaire was designed in such a way to solicit information on the key issues identified within the literature review.

The questionnaire construction was done in English and then translated into Chichewa, the local language, for the women to understand. The questionnaire consisted of two parts; general information and business information.

The questionnaire was pre-tested to assess any problems that would be experienced by the respondents. Refer to Appendix II for a sample of the questionnaire.

This simple questionnaire was administered to clients from two traditional authorities to exclude potential clients who have had access to loans and had received business skills from any other microfinance institution or non-governmental organisation prior to our visiting. The objective was to come up with a completely set of clients who had no prior knowledge of the training and/or loan products that any other microfinance institution/ non-government organisation offered to these rural clients.

A total of 286 women clients were screened and the table below shows the results:

Table 3.1: Outcome of client screening to exclude those who received loans and/or business training.

TYPE	**NUMBER**	**PERCENTAGE OF TOTAL**
Clients who received training and loans	67	23%
Clients who received training only	48	17%
Clients who received loans only	71	25%
Clients randomly sampled	100	35%

The number of women clients who had received loans without any sort of training was the highest and this was for either related to some government initiatives or microfinance institution programmes. The group that received training only was also related to some government initiatives and to a small extent some microfinance institutions who only came to train the potential clients but never returned to disburse the loans. It is noted that only 35% of the clients randomly selected constituted our sample for this research.

3.7 Data analysis

Since most of the questions were close-ended, the researcher chose to use Statistical Package for Social Sciences (SPSS) in the analysis. Data analysis looked at the correlation and frequency distribution of the collected data. When all the data had been analysed, two specific variables, business knowledge after provision of training to the treatment and repayment rates were correlated. Archipova and Paura (2012) advocate that – 'SPSS allows command-line input and programming, as well as the use of graphical user interface analysis. Besides, SPSS is user friendly'. Therefore the package was used due to its flexibility to apply to different scenarios.

The Pearson's correlation coefficient was used to determine the dependence of repayment rates on the business knowledge that was acquired through training. The Pearson correlation coefficient is a 'measure of the linear correlation (dependence) between two variables X and Y, giving a value between +1 and −1 inclusive, where 1 is total positive correlation, 0 is no correlation, and −1 is total negative correlation' (Saunders et al., 2009) It is widely used in the sciences as a measure of the degree of linear dependence between two variables.

A correlation coefficient enables researchers to measure how strong the linear relationship between two ranked or numerical variables is.

The Pearson's Correlation coefficient, *r*, was calculated using the formula below:

$$r = \frac{\mathrm{n}(\sum \mathrm{xy}) - (\sum \mathrm{x})(\sum \mathrm{y})}{\sqrt{[n\sum x^2 - (\sum \mathrm{x})^2]\,[n\sum y^2 - (\sum \mathrm{y})^2]}}$$

(Norusis, 2007)

where n, is the number of pairs of readings, and training knowledge level being an independent variable, is x, and repayment rate is the dependent variable, y, and $\sum$, represent the summation of the variables as appropriate.

3.8 Limitations of the research

Generally in researches, there is concern over the validity and reliability of the methods used in the research. Such concern could 'come from the sampling methods and sample sizes and the actual data collection methods' (Golafshani, 2003).

Further a sample of 100 respondents was not significantly large enough considering the population of women involved in business with MLF. Further a period of equivalent to four loan cycles would be ideally required to establish sufficient data units for determining Pearson Correlation coefficient. The analysis of data was for two loan cycles, approximately one year.

3.9 Research ethics

As echoed by Mouton (2006) that ethical issues arise from our interacting with other human beings. The interaction in this research arose from the interviewing process where interviewees felt their privacy was being intruded by the questions being asked. The researcher applied the informed consent principle. Informed Consent is a 'voluntary agreement to participate in research. It is not merely a form that is signed but is a process, in which the subject has an understanding of the research and its risks. Informed consent is essential before enrolling a participant and ongoing once enrolled' (Sharnazarian, Hagemann, Aburto & Rose 2012). This contributed to willingness and positive participation in the research.

3.10 Chapter summary

In this chapter a detailed discussion has been made on the research philosophy, research approach, research strategy. A further discussion was made on the relevance of particular approach and methodology to the research being undertaken. It also stressed the data collection methodology, the data collection tool, the way the questionnaire was created and how the data was analyzed. The limitations and ethical issues were also explained.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings from both the primary and secondary sources of data. There were three main experiments that were carried out towards the primary objective of establishing the relationship between business training and repayment of women clients. These were the actual selection and categorization process, level of knowledge for the training as delivered by Microloan Foundation, the repayment trend, and administering of questionnaires.

4.2 Level of business knowledge.

Before the loans were disbursed a set of questionnaires was administered to test their level of knowledge. This was done both to the control and trained groups to determine and ascertain their level of knowledge about the content relating to the specific modules as administered. For comparison, results were separated for the control group and the trained group. Below are the results of the level of knowledge for the clients:

Module	1	2	3	4	5
Score %	43	15	29	20	16.8

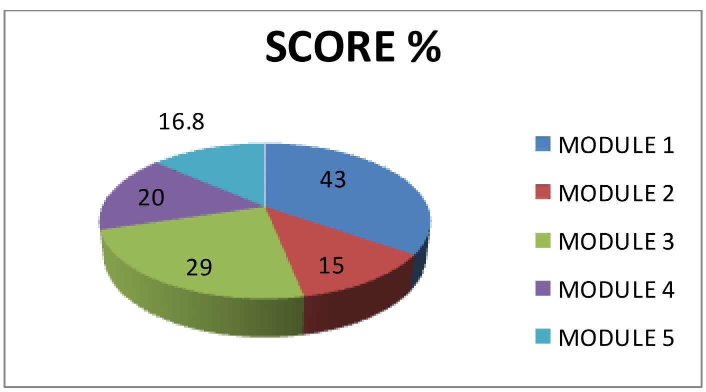


Figure 4.1- Baseline results for Mtanda Credit Group (Control Group) showing the level of knowledge for the training modules.

Module	1	2	3	4	5
Score %	39	18	26	24	8

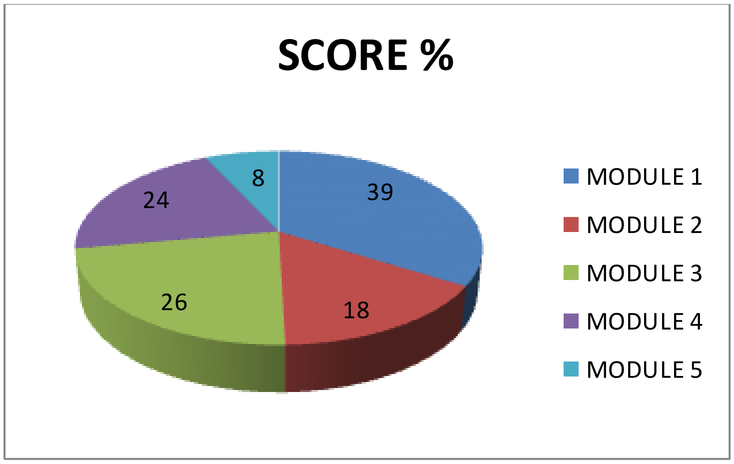


*Figure 4.2- Baseline results for Limbikani, Tigwirizane, Lunyangwa, Makungulu (Treatment) Credit Groups showing the level of prior knowledge for the training modules***.**

There are similarities in the results that are displayed by both the control and treatment groups. For example, generally for both results for the groups to be targeted for training and the control group, there appears to be quite good knowledge for group support (module one) followed by market research. It was found out that the general cultural instincts for these communities did influence the result in these categories. Culturally the women live in clans and hence the source of their knowledge on the importance of living in groups though not necessarily in direct relationship to taking of loans.

The knowledge on control and treatment groups (29% and 26% respectively) on market research was more of deductive from empirical observation, rather than taught insights that could be cognitively applied for the achievement of particular results.

4.3 Granting of loans

Loans were now disbursed using the Microloan Foundation methodology of disbursing loans. In summary below is the distribution table for the number of clients and the relative loan amounts:

Table 4.2: Distribution frequency for loan amounts both in the control and trained groups

	CONTROL GROUP		**TRAINED GROUP**	
LOAN AMOUNTS (MWK)	*Frequency*	*Cumulative %*	*Frequency*	*Cumulative %*
10,000	0	0.00%	0	0.00%
15,000	3	15.00%	7	7.95%
20,000	4	35.00%	26	37.50%
25,000	4	55.00%	25	65.91%
30,000	5	80.00%	23	92.05%
35,000	1	85.00%	4	96.59%
40,000	2	95.00%	2	98.86%
More	1	100.00%	1	100.00%
Totals	20		80	

Source: Monthly report: Microloan Manager (Information system for loan tracking)

The table above shows how many clients took loans in each of the loan ranges both for the control and trained groups. Results show that the majority of loans were taken in the range of K20,000 to K30,000 for both control and trained groups. This represents 65% of clients in this category for the control group and 92.5% for the trained groups. However by comparison there is an inverse trend for the same range in the groups. See figures 3 and 4 below, loan amount histograms for the control and trained groups.

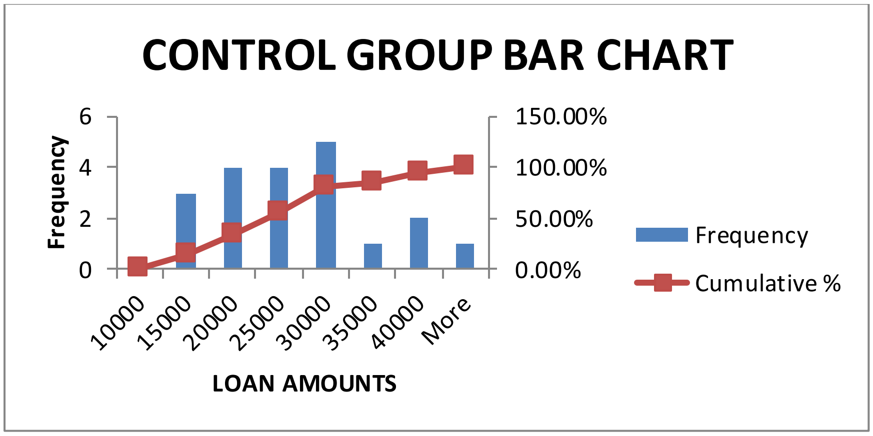


Figure 4.3: Loan amount Bar Chart for the Control Group for the first cycle

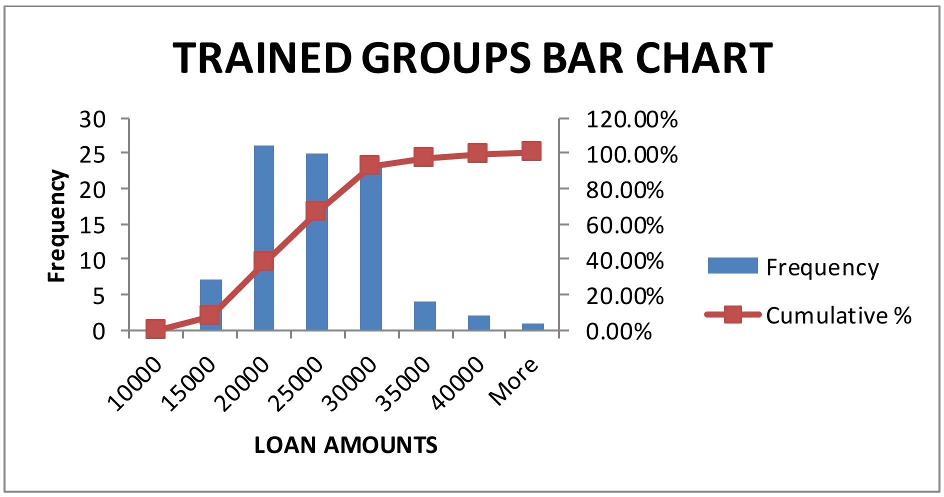


Figure 4.4: Loan amounts Bar Chart for the trained groups for the first cycle

There is a smaller number of clients taking loans in the K20,000 category and a higher number of clients taking loans in the K30,000 category for the control group. A higher percentage of loans have been taken in the lower range of K20,000 for the trained groups. Clients in the trained groups explained that these amounts were as a result of the business requirement and 'wanted to gain experience in the business'. It was evident that these trained clients consistently made application of 'appropriate loan sizes and cost, and profits lessons (Training session 4 and 5 in Appendix II) from the training modules.

4.4 Loan Repayment – First Cycle.

Loans were then disbursed. The clients were being visited every fortnight. The purpose of the visit to the control group was to just collect the loan repayments. For the trained groups 30-40 minute meetings were held to emphasize the message in the training sessions. At the end of the eight week repayment period, results of the repayment period were recorded and tabulated as below:

Table 4.3: Repayment results after a sixteen week repayment period

VARIABLES	MTANDA (Control Group)	TIGWIRIZANE	LIMBIKANI	LUNYANGWA	MAKUNGULU
Amount taken (MWK)	503,700	493,900	461,700	477,300	447,200
Interest rate	20%	20%	20%	20%	20%
Payable	604,440	592,680	554,040	572,760	536,640
Amount repaid	404,975	563,046	493,096	463,936	536,640
Repayment rate	67	95	89	81	100
Exit rate	0	0	0	0	0
Loan Growth	0	0	0	0	0

Source: Monthly report: Microloan Manager (Information system for loan tracking)

After a sixteen week repayment period, all the trained groups had finished repaying over 80% of their loans. However as part of the conditions clients only accessed the second loan when they had fully retired the first loan. On average the arrears were cleared in two to three weeks for the four groups (including the control group).

4.5 Loan Disbursement – Second Cycle

The second cycle loan disbursements were made after all the loans were fully repaid. Below were graphic presentation of the loans that were taken in the second cycle for both the control group and the trained groups.

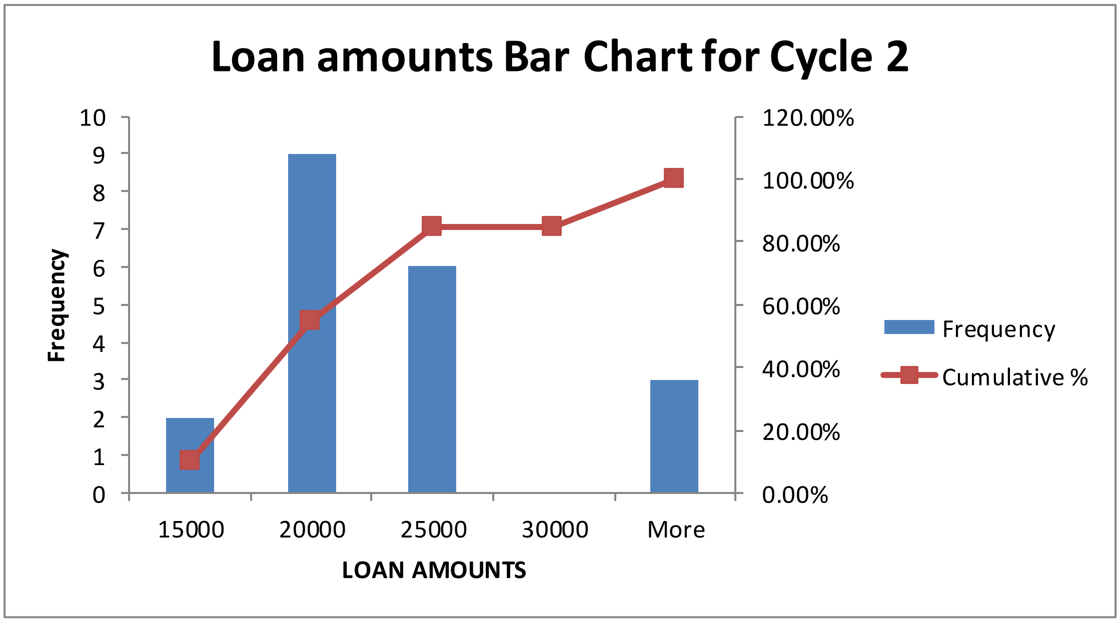
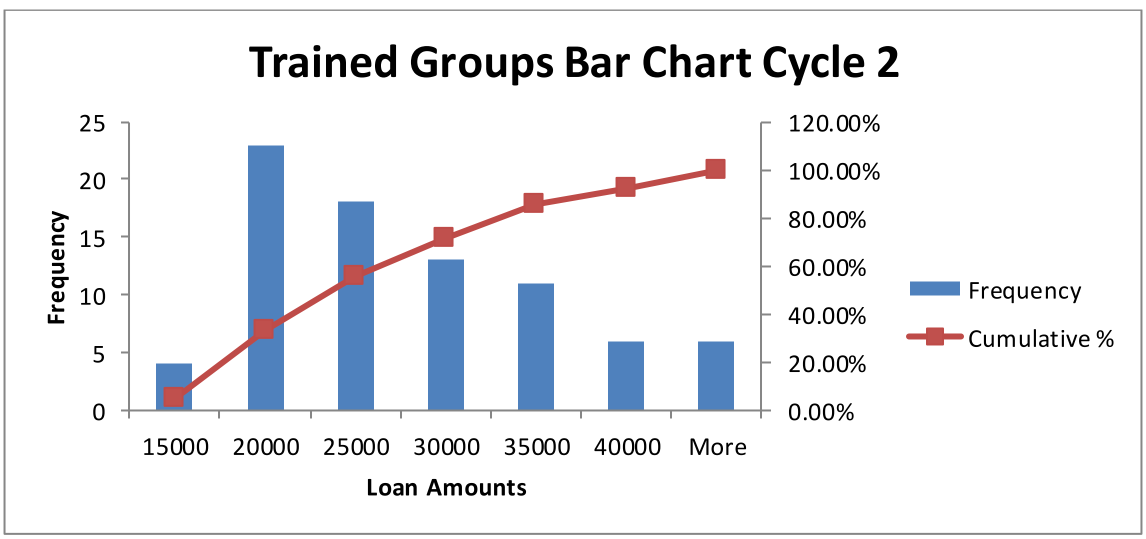


Figure 4.5: Loan amount Bar Chart for the Mtanda Credit Group (Control Group) for the second cycle

Source: Monthly report: Microloan Manager (Information system for loan tracking)



Source: Monthly report: Microloan Manager (Information system for loan tracking)

Figure4.6: Loan amount Bar Chart for Trained Groups for second cycle

There has been a significant shift in the concentration of clients for the control group. Most clients have moved from the K25,000 – K30,000 range to the K15,000-K20,000 representing about 45% of the clients in the control group. Additionally there are no clients taking loans above K35,000 in the second cycle and the total loan amount for the control group did drop to K414,200 in the second cycle from K503,700 in the first cycle. The cumulative percentage is uneven suggesting the increase from one range to another is not smooth.

On the other hand the trained groups have started to show a pattern in the distribution of clients in the different ranges of loan amounts. Although there seems to be more clients in the K15,000-K20,000 range, the cumulative frequency is smooth. The number of clients in the lower range is more and they are slowly decreasing for the upper ranges.

4.6 Loan Repayment – Second Cycle

The second disbursement took place after all the clients finished their loans. As per plan, the control group was not given any training, save for the loan officer going to collect the loan repayments. For effectiveness, the trained groups were given 30-45 minutes recapitulating on the essentials of business and financial management skills. Below are the results after a sixteen week repayment period:

Table 4.4: Repayment results after a sixteen week repayment period for the second cycle

VARIABLES	MTANDA (Control Group)	TIGWIRIZANE	LIMBIKANI	LUNYANGWA	MAKUNGULU
Amount taken (MWK)	414,200	514,600	529,345	513,605	472,750
Interest rate	20%	20%	20%	20%	20%
Amount repayable	497,040	617,520	635,214	616,326	567,300
Amount repaid	298,224	592,819	635,214	567,020	555,954
Repayment rate	60%	96%	100%	92%	98%
Exit rate	20%	5%	0	0	10%
Loan Growth	-21%	4%	15%	8%	6

Source: Monthly report: Microloan Manager (Information system for loan tracking)

By comparison there is a significant improvement for the trained groups almost in all variables as can be seen below:

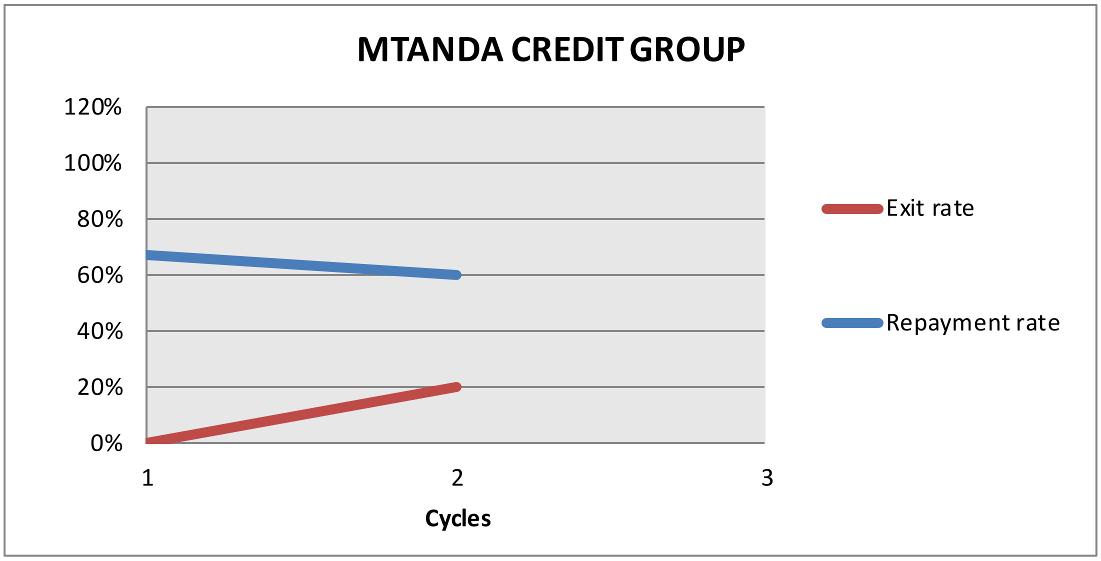


Figure 4.7 Comparison of loan and group performance for Mtanda Credit Group for two cycles

Source: Monthly report: Microloan Manager (Information system for loan tracking)

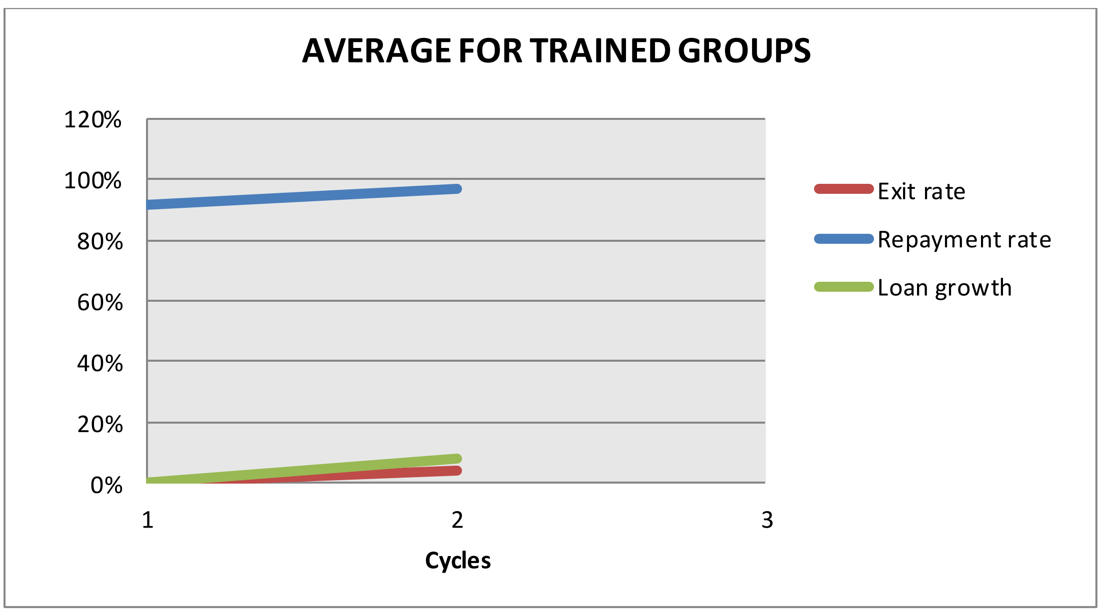


Figure4.8 Comparison of loan and group performance for the trained groups.

Source: Monthly report: Microloan Manager (Information system for loan tracking)

The repayment variable for the trained groups is on a positive rising trend growing by a 5.25 percentage points in the second cycle. Although the exit rate is rising, the nominal figure was actually 3 clients dropping out, out of the 80 clients combined for the trained groups. This is quite significant in comparison to 4 clients that dropped out of the 20 members in Mtanda credit group, the control group representing a 20% exit rate. The loan growth was an average of 8.3% for the trained groups compared to a decline of 21% in loan taken in the second cycle for the control group.

4.7 Level of business knowledge after the second cycle.

After the second cycle, questionnaires were administered to assess the level of knowledge for the related training material. In Figure 9, the control group demonstrated quite an improvement in knowledge after eight months even though no training was actually delivered.

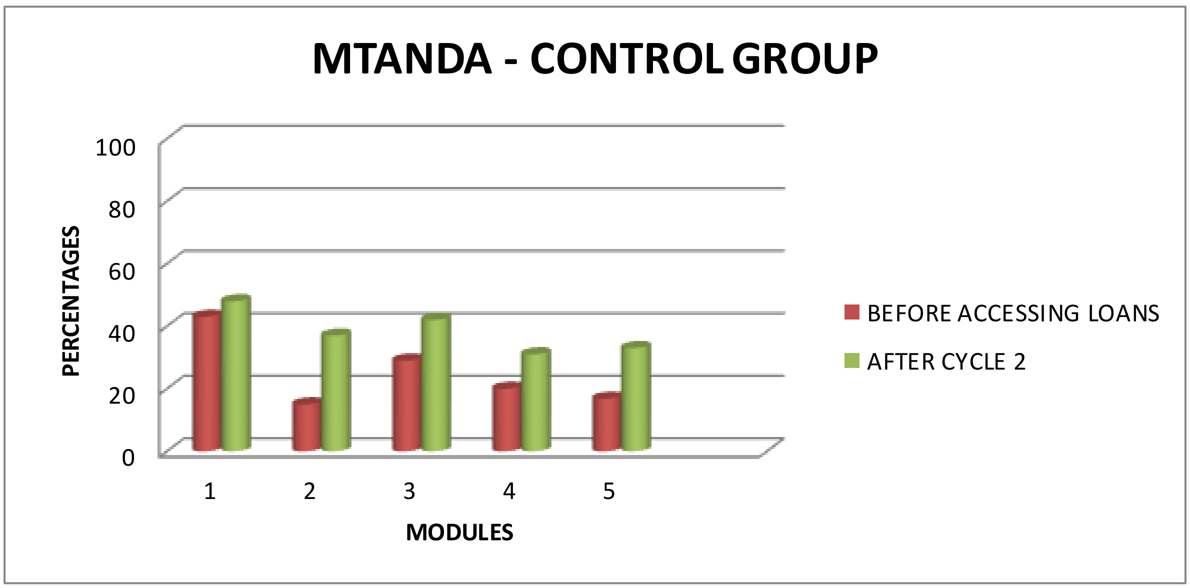


Figure 4.9: Comparison of business knowledge before accessing the loan and after loan cycle 2

Source: Monthly report: Microloan Manager (Information system for loan tracking)

In comparison, below shows the average percentages for the four trained groups. There is also significant improvement of training related knowledge. Noteworthy is the fact that the percentage increase is with 30points basis while the increase of training knowledge for the control was only by 13 points.

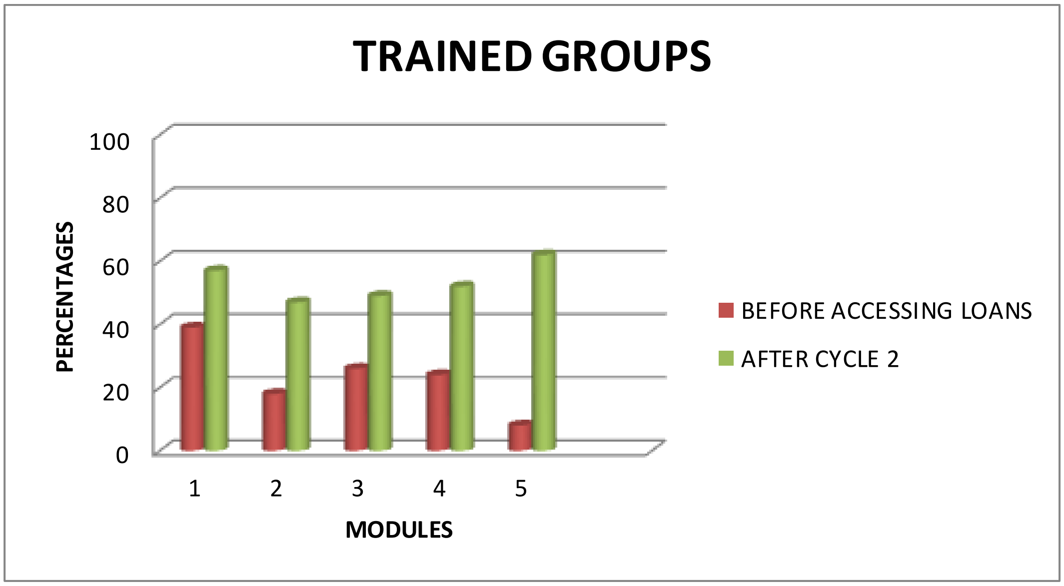


Figure 4.10: comparison of training before accessing the loan and after loan cycle 2

Source: Monthly report: Microloan Manager (Information system for loan tracking)

4.8 Correlation.

Training knowledge level was then compared with the repayment improvement for the trained groups. Training knowledge level for the treatment groups was found to be at 23% in the first cycle and 53.4% in the second cycle. Repayment rate improved due to training from 86% in the first cycle to 91.25% in the second cycle. Below is the summary table:

Table 4.5: comparison of business knowledge level and repayment rate for trained groups

	TRAINING KNOWLEDGE LEVEL	**REPAYMENT RATE**
CYCLE 1	23%	86%
CYCLE 2	53.40%	91.25%

Calculating the Pearson's Correlation coefficient, *r*,the result is *+0.9875*, depicting a positive linear correlation between training which results into business knowledge and the repayment rate. This also tallies with the findings of Annuar, Hanim, Zariyawati & Shu-Teng (2015) in their research in Malaysia to find out the determinants of microfinance repayment performance. They found out that the 'correlation coefficient between business training and loan repayment is +0.5775'. Although the strength of the relationship is lower due to other factors, like contextual setting, there is nonetheless a fairly strong relationship,

4.9 General group problems and solutions

A questionnaire (appendix ii) was then administered to find out the explanation for the varying repayment trend. Each group was asked the set of question to determine what problems, if any, were encountered during the period the clients were serving loans. Of specific interest was to determine what solution was found by the group after they encountered the problems.

Table 4.6 shows a summary of the problems and their solutions as suggested by the group members.

Description of the General Problems Encountered	**Solution by Control Group**	**Solution by Trained Groups**
Non repayment of loan by some members of the group due to sick members of their family	The group contributed by the members concerned were asked to leave the group after the second cycle	The group contributed and allowed the members to repay their loans when business picked up.
Inflationary pressure. Members generally complained that prices of goods and transportation costs rose after they had already taken the loan	The Group reduced the trading stock to match with amount of the loan they had taken	The group approached the loan officer for an increased loan to reach the initial planned profit margin.
Business failure. Most	As the business was new	Most clients in the trained

members did not continue with the business they had started with in the first cycle.	even in the second cycle for most members of Mtanda, most repaid after engaging themselves in piece work	groups did well even in the new business that they had engaged in.
Diversion of loan funds	Groups members forced the concerned member to sell their assets, e.g. goats for repayment of the loan	Those who failed to the end, used their savings to offset the loan.
Spouses intervention. Some clients complained that their husbands were persuading them to share some of the profits with them for useless purposes	When the client failed to repay, the husband assisted them through piece work.	An intervention was sought by the client of the group

There was clearly a systematic approach to doing business as demonstrated by the action taken by members of the treatment group. Members of the control group resorted to radical measures to solving the problems which ultimately did not help the individual members. Training hence sharpened the soft skills of the group members such as problem solving.

4.10 Chapter Summary

This chapter analysed the data that was obtained during the research and statistically presented it to analyse trend and meaning of the raw data that was collected. The chapter explained how the sample was categorized, how loans were administered and managed in both cycle one and two. The level of knowledge for the training sessions was analysed and compared for the trained and control groups. It further looked at the repayment trend for both cycles. The results of the training knowledge and the repayment rate were correlated .The chapter concluded with presentation of the general problems and solution that the groups encountered and administered during the loan cycles. This was meant to determine whether the training had an impact on the problem-solving technique for the business problems that they would encounter.

CHAPTER FIVE

CONCLUSIONS AND RECOMMMENDATIONS

5.1 Introduction

The overall aim of this research was to advance an understanding of the relationship between training delivered to women micro entrepreneurs on basic business and financial management skills and loan repayment. The research is based on a case study for Microloan Foundation Ltd , a micro finance institution in Malawi. The district that the research concentrated on is Kasungu.

The specific objectives of the research were to gain an understanding of:

1 The importance of training in influencing better business culture among women micro entrepreneurs

2 The importance of loan repayment in business success for the women micro entrepreneurs

3 The existence of any additional components, outside the business and financial management training that may have a bearing on credit repayment.

In this chapter the objectives above will be revisited. A summary of the conclusions will be presented in light of the key objectives of the research. The chapter will offer any recommendations that may need to be implemented in the training manual and/or suggestion for future research work.

5.2 Summary of Findings and Conclusions: Linkage to Research Objectives

5.2.1 Training and Business culture

Culture generally ‘describes patterns of behaviour that form a durable template by which ideas and images can be transferred from one generation to another, or from one group to another’ (Hagget, 1975, as cited in Burnes, 2009). Better business culture can then be viewed as a durable template from which ideas on how to run a business can be drawn. This can range from the pattern of behaviour an entrepreneur can take to choose what type business they want to be engaged in, to the set of norms and values that they adhere to for a successful business. During the research it was found out that although all the five groups met business challenges but the approach and solution prescribed was different. For example when businesses were impacted with inflationary pressures, so much that they reduced their business capital or would reduce the calculated profit margins, members of the control group resorted to ‘doing with what they had’ which eventually gave them problems when it came to honouring their loan repayment obligation. On the other hand members of the trained group sought a business like solution, of asking for additional loan capital. It was evident that members were in the main applying principles learnt from the training sessions, more especially how important it was to take ‘appropriate loan sizes’. The principle of better understanding as a result of training corroborates the findings of Addisu (2006) in Ethiopia that better repayment performance is strongly and directly associated with the business knowledge of the borrower, in other words how effectively the borrower has been trained.

It was further noted that the reason for selection of a particular business for the trained groups was largely as a result of market research which is a fundamentally ‘business culture’ that drives businesses forward.

The research concluded that the training so delivered by MLF had a direct influence on the business culture, most specifically in the prescription of solutions to the general business challenges that the clients were meeting and on how well women run their businesses as a result of the increase of business knowledge.

The findings corroborate the conclusions of Munene, Nguta-Guyo, and Huka (2013) in their research on the factors influencing loan repayment default in Micro-finance institutions in Imenti, Kenya, recommended that ‘stakeholders in the microfinance sector ensure that the borrowers have access to adequate relevant training..’ Although the study was meant to identify the factors that contribute to default, (otherwise credit repayment) the conclusion well supports the findings of this research. The impact on business culture is well summarized in the conclusion of the research paper that such …training is expected to cushion the loanees against the start-up challenges… and guide the microfinance entrepreneurs on appropriate choice of types of business…’

5.2.2 The importance of loan repayment in business success

Two major variables were used in this research to measure business success, the increase in the loan sizes, that is, working capital required by the business and the failure rate of initial business that the clients engaged in.

It was noted that on average the loan amount that the control group requested shrank by about 21%. Further it was noted that about 35% of the clients changed business in the second cycle and were unable to cope with the start up challenges. Of the 20 clients from the control 4 clients exited representing 20% drop out rate at the end of the second cycle. In comparison there was loan growth of about 6% for the trained groups and only 4% of the clients exited.

The research found out that clients constantly referred to the success of their businesses that enabled them to stay with the group and determine what level of working capital was required by the business at each and every stage ' as advised by the credit officer'.

The conclusion was that the particular training, more specifically 'appropriate loan sizes' and' cost, profits, pricing.' Some of the clients were able to make substantial savings from the profits that they realized and used these to repay the loan during the business trough.

It was concluded that loan repayment assured the member clients to enable them take bigger business loans as they were assessed to be less risky clients. Members of the trained group reported that there was a cordial relationship with the loan officer which enabled them to get advice on the challenges that they were experiencing ultimately contributing to their business success.

5.2.3 Additional components with a bearing on credit repayment.

The research found out that although the control group was not given any training, nor some formal discussion with the loan officer, there was evidence of behaviour that pointed to cultural norms which influenced credit repayment.

It was noted that although members of the control group were not formerly trained on the basic of group dynamics, it was noted that in general they did not have any problems associated with group formation per se. Further interview revealed that culturally members are used to living in clans and as such have 'mastered' the problems associated with group formation, at all levels. The control group seemed as cohesive as the trained groups.

Although some members of the control group missed repayments, the group nonetheless repaid the whole loan amount. Interviews at the end of the second cycle revealed that as a result of this sense of belonging which was influenced by the cultural background of living in a group of relatives, clans, members tried hard to repay for their group members for fear that the members who failed to repay would be 'ashamed and embarrassed to still stay in the village'. They believed that such a scenario would also 'embarrass' the other members of the group as public perception would have it that the other members were unsupportive. The implication is the existence of a social cohesion which the joint liability relies on. This can encourage institutions that use 'the joint liability group lending to rely on this social cohesion as a means of enhancing their performance which has direct implication on their outreach, impact and sustainability' (Simtowe & Phiri, 2006).

5.2.4 Training and Repayment rate

The results of the research revealed that as knowledge in basic business and financial management skills increased so was the repayment rate. There was notable increase in knowledge after the trained groups had taken loans for the second time, and it was evident there was continued application of the knowledge so gained towards their businesses. Of significance was the finding that training did influence the credit repayment of the groups. The exact correlation was ***+0.9875,*** denoting a perfect positive relationship between training and repayment rate of the credit that clients took.

The findings support the conclusion that loan repayment default was as a result of inadequate training of borrowers' (Bichanga & Aseyo, 2013) and that 'training led to a better business practices and increased revenues and profits' (Valdivia & Karlan, 2008)

5.2.5 Recommendations

The research makes some critical recommendations as a result of the findings: Some of the key recommendations are that MFIs should:

a) Incorporate training in their business dealings with their clients, as these soft services help the core business of the institution which ultimately support the growth strategies of the institutions through good repayment rates.

b) Incorporate in their training modules aspects that encourage positive contributions by the cultural beliefs of the people that they serve. The fact that such cultural behaviour would be acknowledged by the institutions in their training sessions creates a positive environment for learning and more likelihood of application of any additional components that would be covered in the training material.

c) Make considerable investment in training their loan /credit officers who are tasked with the delivery of training to the clients. This improves confidence of the loan officer and increases relationship with the clients. Such tie with the loan officer has been found to improve positively the repayment performance of credit groups. (Bassem, 2008)

d) Include other basic technical information/training to other activities like modern farming techniques to maximize return from clients specifically in the agriculture supply side. Institutions could partner with such organisations that provide expert advice on such technical areas. This should be the case of borrowers involved in agribusiness to have high yield and ultimately be able to repay the loans as corroborated by Kyeremateng (2010):

> There exists a positive correlation between the various training and loan repayment of beneficiaries. Farmers obtained high crop yields due to the crop production training given; thus farmers were able to pay off their loans (p 7)

5.2.6 Areas for further research

During the research there were areas that pointed to the fact the current study is only but stimulation to the wider need for addressing the challenges that MFI's meet particularly in delinquency management.

The research recommends that a research of a similar nature could undertaken at a wider scale covering the whole country of Malawi and for a period of at least three years to take into account seasonality of capital inflow and outflows and different contexts in which entrepreneurs face. One area for another research is to investigate both women and men entrepreneurs so that gender factors could be looked at. Due to the significance of the research in its relationship to economic factors of the country, such a research at a wider scale is necessary notwithstanding the attendant financial commitments that would be required.

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APPENDIX I

The Microloan Foundation Training Package

The training package delivered to women entrepreneurs who access loans from Microloan Foundation is in five sessions. These training sessions will commence a fortnight after the loan has been granted to them. The sessions will also coincide with a repayment meeting and are so arranged that each repayment meeting has its training session and a specific objective attached to that meeting. All sessions are delivered by the loan officer who is specifically assigned and attached to a particular group.

This section of the review is on the training manual that is the source document for all the training delivered to women entrepreneurs who are clients of Microloan Foundation. Each session is arranged in such a manner that the objective is outlined for the training session, how the training session is practically delivered, and the conclusion, in other words, a final emphasis on the message of that specific training module.

Training Session 1:**'Group support and what happens when things go wrong?**'

i) Objective

The objective of this first session is to help women entrepreneurs fully understand the joint and several liability aspect for the loan that they have accessed as a group. The joint and several liability notion is well explained by Mamun et al, 2011 and describes a scenario where loans are taken in a group and 'if any member is unable to repay, other group members cannot borrow unless they assist in repaying defaulters debt'. Ultimately the group is helped on how to solve problems and make decision within the group and the members to understand the benefits of supporting a group member whenever she encounters any problem.

ii) Delivery method

The module is delivered through role plays, singing and dancing. A loan officer will introduce the topic and outline the objective of the training module, specifically introducing what joint and several liability means. The women usually sit in a semi-circle so that all are able to see the loan officer. The loan officer will invite discussion through asking of questions like 'what sort of problems do you think you can face as a group'. Such questions will help the women entrepreneurs anticipate problems they might be facing as a group. Typical answers range from death in the family, to their fellow woman deciding not to repay and desert the group. Group discussion then follows on the possible solutions for the problems that the women outlined.

Subgroup are then formed and each subgroup is then given five minutes to prepare a sketch of the role play and another to present to the whole group.

After all the role plays have been performed the loan officer recapitulates to the group of the topic under discussion and the specific objectives. Of particular importance the loan officer is asked to observe the following in the role plays and if necessary ask questions:

a) What decisions was the group making in the role play to the problems of non-repayment highlighted : (was it that the group suggested a contribution towards her loan repayment or going to her home to sell her property to settle the loan?)
b) If the group contributed, did it continue to support their colleague? This observation underscores the importance of long term solution.
c) If the group did not continue to support the client, what could they have done differently? (helps clients to be clear that contributing is the first step but they have to come up/find the long term solutions)

iii) Conclusion of the module

The loan officer goes through all the possible problems that the group could meet individually and as a group and how those problems could affect their ability to repay the loan that they have taken. Emphasis is placed on the long terms solution for any problems that they could meet as they are all jointly and severally liable for the loan until it is fully repaid.

The importance of group support is also emphasized for the success of the group through timely repayment of the loan.

Training Session 2: 'Setting Savings goals'

i) Objective

The objective of the module is to let women clients appreciate the importance of savings, set savings goals and understand how to achieve the goals they have set. The session is meant to assist women clients to ensure that they have a source of income they can lean on for long term objectives.

ii) Delivery Method

A discussion question is introduced by the loan officer as to what the women clients think would be the importance of savings. In general answers will range from savings to buying something of value in future, say iron sheets, or send their child to school.

The loan officer explains the meanings of goal, savings and savings goals in general. This is also done through a discussion question.

For the group to understand better the meaning and discuss in depth savings goals the loan officer will narrate a story about Agnes (not real name) and her money. Briefly the story of Agnes goes:

"Agnes wakes up early every day, works all day in her family field, takes care of her family, and goes to bed at night and this is her daily routine.

Today she is thinking about how difficult her life is. She does not have a regular income. She really struggles to cover her family's expenses during the low-income season from December to March. It is difficult to feed her family. The only part of the year she looks forward to is the harvest season. It is the only time she makes a lot of money and can spend it on her family! Agnes is solely dependent on farming"

The loan officer asks the following questions:

- Ø How does Agnes spend her money? *[Possible answers: food, family's expenses]*
- Ø How is Agnes's story similar to your life and feelings?

The loan officer further explains that it is possible that Agnes feels the same. She is tired of struggling to find money. She does not want her money to come and go like rain. She wants to hold on to it like a leaf captures raindrops. She wants to know that she has enough money to buy food every day. She also dreams of a day when she can pay for her children to go to school.

The savings goals for Agnes would be able to plan ahead so her family has enough money for food during difficult periods, and to pay for her children to go to school. Savings goals are items you want to have in the future and that you need to put money aside to buy. These are goals that you can plan towards. The clients are then asked the following questions:

1. How does Agnes spend her money?
2. How is Agnes's story similar to your life and feelings?
3. Why is it important for Agnes to have savings?

After the women have responded to the above questions the loan officer gives each client three leaves and relate Agnes savings story with how a leaf holds a drop of water.

Groups are then divided into sub groups and each individual is given the opportunity to discuss her three savings goal within the allocated sub groups.

After the sub-group discussion, members will come back to the main group and the loan officer will ask each member to choose/pick the one goal that is most important and tell the rest of the group what it is, while holding the leaf to represent that goal.

The loan officer asks for a volunteer to answer the following questions as an example to the whole group especially focusing on how the goal will be achieved.

a. What is your most important savings goal?

b. How much will that goal cost you?

c. How much money will you have to save each fortnight for you to reach your savings goal?

d. How long (e.g. how many loan cycles) will it take to reach your savings goal?

iii) Conclusion of the module

The module is intended to help women identify the most needs that may require cash in future and plan for them. The overall intention is that such an occurrence in the future does not affect the cashflow of the business and hence has no direct impact on the repayment ability.
When a savings culture has been inculcated in the clients it is hoped by the Microloan Foundation that savings may increase to provide for much needed capital for the business and hence cut the dependence on loans.

Training Session 3: Market research

i) Objective

The objective of the module is to help clients understand the importance of market research and how to conduct it. This session help clients to make informed decisions about their products ultimately helping them to have viable businesses.

ii) Delivery Method

A discussion question is introduced by the loan officer as to what the clients think would be the importance of market research. Agnes' story is narrated for continuity to understand the importance of market research as follows:
Last time we talked about how Agnes worked hard to save money so she could provide food for her family all year round and afford medical expenses for her children. Now Agnes would like to start a business so that she can afford to pay other household expenses with her profits, like buying new pots and pans and buying school uniforms for her children. She decides she wants to sell beans in the market not far from her village.
The loan officer would ask the group how Agnes would know selling beans is a good idea? Possible answers will vary ranging from 'she has sold beans before so she knows she has the knowledge to sell them', 'she knows there is a good market nearby where they could be sold', 'there are not many other people selling beans at that market', 'she knows where she can travel to

buy the beans, there is a high demand for beans in the local market, she thinks she can get a good price for the beans.'

The loan officer shows the clients a large picture of two sellers of beans and the picture forms a discussion point by pointing out the major differences in the picture. Major difference include: 'the first seller is in a quiet part of the market, has no customers and nobody is around, has only one type of beans,' the second seller is in a busy part of the market, has lots of customers and has different types of beans.

The discussion further explores the reasons behind the differences and clients will give answers ranging from the stocking of only one type of beans and the location of her business, i.e. in a quiet corner of the market

The loan officer summarises the importance of the planning well before starting any business and explains the 6 questions which clients need to ask themselves when planning business or conducting market research and ask them to relate them with the story of Agnes. The 6 questions and their expected answers are:

- What product should I sell? Agnes has decided to sell beans.
- Where should I sell it? Agnes went to the local market to see if this was a good place to sell.
- Where would I go to buy the product? Agnes wants to go and buy the beans from local farmers.
- Are there a lot of other people already selling it? Agnes saw that at the market there were a lot of other people selling beans.
- If there are a lot of other people already selling it, what can I do differently from my competitors to make sure people buy from me? Agnes has decided she needs to make sure she is more like the second seller, she can package her beans well and, sell different varieties of beans, locate herself in a busy part of the market, and be polite and cheerful with the customers.
- Is there a lot of demand for the product? Agnes saw that there were many people at the market interested in buying beans.

iii) Conclusion of the module

The module is planned to help our client to identify proper business by knowing what and where to sell and buy the product, competition and how to compete favourably on the market and assess the existence of demand for their product. When clients are well trained on market research it is hoped that they run successful business and expand their businesses. This should ultimately lead into higher return and hence they would find it easy to repay their loans.

Training Session 4: 'Costs, Profits and Pricing'

i) Objective

The objective of this session is to help clients appreciate the importance of working out and differentiating their business costs, profit and how they can price their products. Clients are taken through the whole process of planning and determining their expenditure on the business and at what price they need to sell their products in order for them to realise a profit.

ii) Delivery Method

The loan officer introduces the session by explaining Agnes case study from previous modules /sessions as Agnes starts to set savings goals and doing market research. The loan officer continues narrating Agnes story as is linked to pricing, costs and profit making:

> Agnes starts thinking about what she will need to buy or pay for to start her business of selling beans. These items are called costs. Costs are all the items that Agnes has to pay for. In the first category there are items that she can use over and over again, and she will only have to buy them once at the start of her business, though over time they will wear out and she'll have to replace them. She needs to buy, say baskets, to display the beans in and would cost K500 for 2 baskets for example

Agnes will also have other costs that keep buying repeatedly or regularly if she wants to continue running her business. She would need to spend on her transport and accommodation as she goes to buy beans, rental cost of the market stall, plastic bags etc. These items are what would cost Agnes in her business not at home.

Based on the planning she has done, Agnes works out that she would need to spend:

- K1,000 every 2 weeks on transportation to go and buy beans
- K500 on food and accommodation when she goes to buy the beans as she stays overnight
- K8,000 every 2 weeks to buy 50 kg of beans

During her market research she found out that she does not need pay any market stall rental. She also found out from talking to other people that after 2 weeks she will have sold all her beans and should then go to restock. As Agnes' budget is fortnightly, the loan officer helps the clients see how the calculations were done by Agnes using two different display boards where board A shows all costs in a picture form and B shows beans divided in one kilogram packs. At this time all the clients will be in a circle and the display board at the centre and one client would represent

Agnes. Either stones, beans, or maize seed can be used and placed against each diagram to symbolize a certain value (say one stone/ or bean seed to represent MK500.00 (value of an item).This process is repeated and stressed by the officer until all the clients are clear on how Agnes managed to work out her cost and prices of her business and answers all the questions from the clients.

iii) Conclusion of the module

This module is intended to help clients to be working out how much costs will be incurred, profits gained after sales and pricing of the products in their businesses. The lesson helps clients differentiate their business costs and what profits they can realise from their business. It also helps them differentiate between cash and profits and how each of these components can be used. This knowledge helps clients to know how much cash they have at any point and hence manage the timing of their loan repayments well. Proper management of cash will result into business growth and ultimately their economic well being improves.

Training Session 5 'Appropriate loan sizes'

i) Objective

The objective of this module is to help clients work out appropriate loan size of their businesses, be able to invest the whole loan amount into the business and help each other in the group choose the right loan amount.

ii) Delivery Method

The loan officer starts the discussion by explaining the importance of getting a loan that is linked to the costs that each client has identified on her own. Of major importance among the reason is for the clients to be able to make repayments plus interest on the money that clients have borrowed. The disadvantages of taking a bigger loan that does not fit the level required by the business are highlighted and explained. Other than the loan assisting clients to be better off economically, the loan becomes a burden and hence they can come out of the business poorer that they were before they took the loan.

The loan officer also links the importance of taking appropriate sizes of loans to the joint and several liability. If one client fails to make necessary repayments it burdens the other clients in the group and their businesses might as well be affected.

Agnes' story is continued and is now considering taking a loan and is not sure whether she would manage the repayments fortnightly. The loan officer explains that Agnes can afford her repayments if the 'profit' she makes in two weeks far exceeds the amount that she is required to contribute towards her repayments. The loan officer continues..

> Agnes would like to take a loan of K10,000 from Microloan Foundation. This will cover all her costs to set up and run her business including buying the baskets, paying for transport, food and accommodation when she goes to buy the beans, and buying a 50kg bag of beans. Her total costs are K10,000 and that her total sales is K15,000 and hence a profit of K5000.00.
>
> To know if K10,000 is the right size loan for Agnes, her fortnightly loan repayments must be less than her fortnightly overall profit of K5,000.

For a loan of K10, 000 her repayments will be K1, 500 every fortnight and savings will be K250 every fortnight. Agnes knows that to get a second loan of K10, 000 she must have at least K1, 000 savings in her group account. She must also have made regular savings of K250 every fortnight making a total of K1, 000 over the loan cycle. If she does not do this she will have to get a loan that is smaller than K10, 000 in the next cycle.

The loan officer explains and works out how much Agnes would have to make in a fortnight and savings if she took K10,000. This comes to K1,750.

The loan officer explains that Agnes could afford to make repayments for selling beans with an initial investment amount of K10,000 and emphasises that for Agnes to do this she will have to invest the whole amount into the business. He/she further explains to the group the importance of investing their whole loan into their business despite other challenges at home and linking the loan size with their businesses and split the group into sub groups to help each other work out appropriate loan size for each member.

iii) Conclusion of the module

This module is intended to help the clients work out their appropriate loan size and to appreciate the importance of linking their loan size and investing the full amount of loan in the businesses. Microloan Foundation hopes that if client are capable to get appropriate loan size according to their businesses they will be able to repay loan without problems, using their profit to buy household items not capital and their poverty status will easily improve.

In conclusion, the training package fulfils the purpose "of creating long lasting successful women credit groups which repay their loan timely, as expected and whose savings from their businesses grow and increase from time to time" (MLF training manual, page 9)

APPENDIX II

Questionaires

Client Training Evaluation Survey – English Version

INTRODUCTION AND CONSENT – TO BE READ TO THE RESPONDENT

'My name is …….. I am helping the Microloan Foundation to understand whether the training you and your group members have been receiving is helping clients such as yourself to make the best use of your loans and run your businesses as effectively as possible. The findings from this survey will help us to improve the training we deliver to our clients. The interview usually takes about 10 minutes to complete. Your identity and your answers will remain confidential. Participation in this survey is voluntary and you can choose not to answer any individual question or all of the questions.

At this time, do you want to ask me anything about the survey?

May I begin the survey now?' (Verbal consent is sufficient)

Member agrees to be interviewed…………1 Member does not agree to be interviewed……2

INTERVIEWER: PLEASE RECORD MEMBERS' ANSWERS ON THE ANSWER SHEET PROVIDED. UNLESS OTHERWISE NOTED, DO NOT READ THE ANSWERS.

NO.	QUESTIONS	CODING CATEGORIES
1.	True or false: a client's repayments and savings should be LESS THAN her profits over 2 weeks NOTE: IF GROUP IS FOLLOWING A DIFFERENT REPAYMENT SCHEDULE E.G. MONTHLY, REPLACE '2 WEEKS' WITH MONTHLY *Knowledge: relates to Learning Objective 'able to work out what loan size is*	TRUE……………………………….1 FALSE………… …...……………..2 DON'T KNOW / DECLINE TO ANSWER………………………...98
	appropriate'	

2.	Do you agree with the following statement a little, a lot or not at all? 'I feel confident that I can work out what loan size is appropriate to my business' *Attitude: relates to Learning Objective 'able to work out what loan size is appropriate'*	A LITTLE………….,,………………..1 A LOT………………,……………….2 NOT AT ALL……..…………………3 DON'TKNOW/DECLINE TO ANSWER……………………………98
3.	There are six questions you should ask yourself in planning your business. Can you name them? <u>NOTE: MULTIPLE RESPONSES CAN BE GIVEN</u> *Knowledge: relates to Learning Objective 'discussed how to plan business'*	WHAT PRODUCT SHOULD I SELL?1 WHERE SHOULD I SELL IT?…….2 WHERE WOULD I BUY IT?..............3 ARE THERE A LOT OF OTHER PEOPLE SELLING IT?...4 IF SO, WHAT CAN I DO DIFFERENTLY?...................................5 IS THERE A LOT OF DEMAND?...6 DON'T KNOW / DECLINE TO ANSWER………………………...98
4.	Do you agree with the following statement a little, a lot or not at all? 'I think planning my business is important' *Attitude: relates to Learning Objective 'committed to planning business'*	A LITTLE…………………………1 A LOT……………………………..2 NOT AT ALL……….……………….3 DON'T KNOW/DECLINE TO ANSWER…………………………..98
5.	Do you agree with the following statement a little, a lot or not at all? 'I feel confident that I would be able to do a business plan for my own business - even if someone else helped me to write it'	A LITTLE……………………………1 A LOT………………………………..2 NOT AT ALL……..…………………..3 DON'T KNOW/DECLINE TO ANSWER…………………………..98

	Attitude: relates to Learning Objective 'discussed how to do a business plan'	
6.	Do you have a business plan? *Behaviour: relates to Learning Objective 'did own business plan'*	YES……………….,,.…………………1 NO..………..…………………………2 DON'T KNOW / DECLINE TO ANSWER………………………..….98
7.	True or false: savings can be used in an emergency (for example, a child is sick), as long as the loan cycle is finished and the clients can withdraw their savings *Knowledge: relates to Learning Objective 'discussed why savings are important'*	TRUE………………………………….1 FALSE………..………………………2 DON'T KNOW / DECLINE TO ANSWER……………………………98
8.	Do you have a savings goal? (NO NEED TO RECORD INFO RE. THE SAVINGS GOAL – THIS WILL BE COLLECTED THROUGH INTERVIEWS) *Behaviour – relates to Learning Objective 'set savings goals'*	YES……..………….………………..1 NO………………..…………………..2 DON'T KNOW / DECLINE TO ANSWER…………………………....98 → IF 2 OR 98, SKIP TO NEXT SECTION
9.	Do you agree with the following statement a little, a lot or not at all? 'I am confident that I will reach my savings goal'	A LITTLE….……………………………1 A LOT…………………….……………2 NOT AT ALL.…………..…………………..3 DON'T KNOW/DECLINE TO ANSWER…………………………..…..98
10.	Do you agree with the following statement a little, a lot or not at all? 'If a fellow group member could not repay her loan, I would help her with her repayments.'	A LITTLE…………..…………………1 A LOT……………………………….2 NOT AT ALL……..………………...3 DON'T KNOW/DECLINE TO ANSWER… ………………..……98

	Attitude - relates to Learning Objective 'discussed the benefits of supporting a group member when she has a problem'	
11.	A client didn't bring money to a repayment meeting so the other group members repaid. After the repayment meeting, the group should (a) snatch the client's assets or (b) help her run her business? *Knowledge/Attitude - relates to Learning Objective 'discussed the benefits of supporting a group member when she has a problem'*	HELP HER RUN HER BUSINESS………………………..........1 SNATCH HER ASSETS…………….2 DON'T KNOW/DECLINE TO ANSWER…………………………..…98
THANK THE CLIENT FOR THEIR TIME AND ASK IF THEY HAVE ANY QUESTIONS. USE THIS SPACE TO RECORD ANY ADDITIONAL COMMENTS PROVIDED BY THE RESPONDENT		

Semi-structured In-depth Interview Questionnaire

GROUP NAME ______________________________ GROUP REF NO …… LC NO. … TC NO ……UP TYPE: GOOD/AVERAGE CONTROL/PILOT SL/MV/BL/M LO……………………………………

NAME OF CLIENT ___________________________________ CLIENT REF NO ………………… CLIENT TYPE: ‘GOOD’/’BAD’

INTERVIEW DATE ___/___/___

1. Introduction

Thank you for agreeing to participate in this interview. You do not have to answer any questions you do not want to and your responses will be confidential. As we are going along, please feel free to ask any questions you may have.

Family (husband/children and what they do)	
Education level	
How long been with MLF	
Purpose of business (using loan for) and has this changed over time	
Other forms of income	

2 Loan size

Did you take the maximum loan size this cycle?		How did you decide on the size of your loan this cycle?	

Has this process changed since you've started receiving the training? (ask specifically about whether used to take maximum loan size and now calculates loan size needed as per the training)	
Do members in your group generally choose their loan sizes individually or as a group?	
Have other group members ever reduced a loan size requested by another member? (and is this just since training or in past too?)	

3 Business planning

What issues did you consider when planning your business? Prompt if necessary as follows: • How did you decide what to sell • How did you decide where to sell your products? • How did you decide where to buy your products? • Is there much competition (i.e. other sellers?) • If so, how do you differentiate yourself? • Is there a lot of demand for your product?	

What is meant by -business costs -business income -business profits	
What one-off costs does your business have? (item and amount?	
What repeated costs does your business have? (item and amount)	
What are your TOTAL COSTS on a fortnightly basis (or whatever timeframe they base their business on)?	
What price do you charge for your products? How did you decide on this price?	
What is your total INCOME FROM YOUR BUSINESS on a fortnightly basis (or whatever timeframe they base their business on)?	
What is your total PROFIT FROM YOUR BUSINESS on a fortnightly basis (or whatever	

timeframe they base their business on)?	
Every fortnight, how much do you: -save -repay?	
Over a period of time (i.e. over the period of the loan cycle) how much of the loan do you invest in a) business reinvestment, b) repayments and c) other needs	
Do you keep your business and household finances separate; do you keep financial records of the business (ask to see them if appropriate)	
Did you plan your business by yourself or get others to help you? If so, who?	
Do you feel confident in planning your business or do you feel that you need additional support?	
How has your business been going? Have you been facing any problems?	

How do you think your planning has contributed to its success/failure?	

4 Decision-making, problem solving and supporting others in the group

What do you do if can't make your repayment due to Business failed and you had to spend the loan on food? Your child was sick and were forced to spend the loan on medicine? Your husband stole the money?	
Have you had problems with clients not being able to make repayments ? (Identify repayment meeting number) What kind of problems? What did you do? What did your group do? Was a repayment eventually made? And how did your group make decisions? (get sense of level of participation)	
If you have faced any problems,	

have you felt you can be open and honest • other group members • your loan officer Why/why not?	

5 Savings

Do you think savings are important? Why/why not?	
Do you have a savings goal? If so: • what are you saving for? • how much do you need overall? • How much do you have to save each fortnight? • how are you managing to save? • when do you think you will reach your target? Have you successfully met other savings goals? For how long have you had savings goals? (i.e. has training impacted on this) Have you ever used savings to offset a missed repayment? If yes, Why?	

6 Constitution

Do you think it is important for your group to have rules? Why?	
Tell me about the rules in your Constitution……… (get a sense of whether its 'firm but fair', supportive rather than punitive)	
Have you had to refer to your Constitution at all in facing problems?	
Did you update the Constitution for this cycle and if so, how?	

Additional components (if any) outside the basic business management training that have a bearing on credit repayment.

a. Is your husband working or doing business? (If "Yes" go to 7b; if "No" go to 7c)
b. If the answer is "Yes" to 7a. How does your husband through his business or wages assist you to make sure you succeed in your business i.e. repayments?
c. Are there other activities you do apart from business which assist you in repayments? (probe more on issues like multiple borrowing being used in credit repayment, monthly income – if she works, being used in repayments or being assisted by relatives)
d. Is there anybody in your family who does business (or was doing business) whom you are motivated by (or who motivates you to work hard) in your business?
e. What else motivates you to work hard in your business?

Any other comments?

POST LOAN ASSESSMENT QUESTIONAIRE

Read the questions EXACTLY as they are written and ensure ALL questions are answered

Client Name :		Group ref :
Client Ref :		
Loan Cycle :		Branch Name:

Qu no	Questions: Interviewer to read each question exactly as it is written	Possible answers: Interviewer should allow client to answer on her own
1	What bussiness do you have?	
2	For how long have you been taking loans from MLF?	
3	Did you have a business before taking a microloan Foundation loan?	
4	How much did you get this loan cycle?	
5	When is the expected time to repay the loan?	
6	Are the family members supportive of your Business?	
7	Did you have problems in repaying your last loan?	

8	What challenges have you had in repaying the previous Loan?	
9	How did the group respond to your situation in failing to repay the loan?	
10	In what way did the Loan Officer assist in your situation?	

Thank you for your cooperation.