

The logo for Microloan Foundation features the word "microloan" in a white, lowercase, sans-serif font. A stylized circular icon, composed of two curved arrows in blue and yellow, is positioned between "micro" and "loan". Below "microloan", the word "foundation" is written in a smaller, white, lowercase, sans-serif font.

**microloan**  
foundation

A close-up photograph of a woman with a bright, joyful smile, showing her teeth. She has short, dark hair and is wearing a maroon and gold striped garment. In the background, other people are visible but out of focus, including a man on the left and a woman on the right wearing a colorful headscarf.

**Scotland transforms the lives of  
Malawi's poorest**



THE UNIVERSITY  
of EDINBURGH

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## MicroLoan Foundation's Vision

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Since our formation in 2002 MicroLoan Foundation has been working with the most marginalised women in rural sub-Saharan Africa. We help women in Malawi and Zambia to earn sufficient money to meet everyday household needs such as food and medicines as well as saving for more ambitious goals such as secondary education and the construction of a better quality home.

We believe our approach allows women in sub-Saharan Africa to achieve greater self-sufficiency and economic empowerment. The women we work with and their families gain increased resilience to cope with unexpected challenges through greater self-confidence and financial security.

**Our social mission is to enable poor women in rural, sub-Saharan Africa to transform their lives by lifting themselves and their families out of poverty.**

We recognise that we cannot achieve our mission alone, and greatly value our Scottish partners who have provided much needed assistance for the impact study which is described here.

## How we Change Lives

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We follow a consistent and proven step by step approach to provide a basis for women to build their skills and to empower themselves to achieve their longer term goals.

- 1** Loan Officers from MicroLoan establish relationships with local communities and women. Those women who are interested in saving together and receiving loans to start a business then form groups.
- 2** Before anyone receives their first loan, their Loan Officer provides training about what MicroLoan can offer them, the way we will work with them and their rights and responsibilities as MicroLoan clients. This training is delivered using songs, dance and visual aids, techniques adapted for women with limited literacy levels. Women are appointed to positions of leadership within the group (Chair, Secretary, Treasurer). These leadership positions in addition to the skills and knowledge gained from the training boost women's confidence.
- 3** Loan Officers help the group to open a group bank account where savings are deposited and loan disbursements are made. They show clients how to make repayments into the MicroLoan bank account. Women make small initial savings to reach 10% of the value of their first loan so creating a culture of saving.
- 4** Loans are distributed to the women. The value of a loan is determined by the level of savings that an individual has accumulated and what is required to fulfil her business plan. Loans can start from as little as £25.
- 5** Once a loan is received, a client starts a business. As a member of a group, she will meet regularly with other members during the loan cycle both to make repayments and savings, and to receive additional business and leadership training and mentoring support from her Loan Officers who visits the village.
- 6** Once loans are repaid in full, further loans may be taken out and the loan cycle repeated. Due to our careful vetting procedures, support and training, MicroLoan's loan repayment rates are high, with up to 99% of loans repaid in full. Loans repaid provide capital to lend to other clients.



## Scottish Government Partnership

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Scotland and its government have close long-standing links with Malawi which date back over 150 years to the travels of Scottish explorer Dr David Livingstone. MicroLoan Foundation is committed to playing an active part in the Scottish-Malawi development sector, having an Edinburgh-based office and as a member of the Scottish-Malawi Partnership, the national civil society network coordinating, supporting and representing the people-to-people links between the two nations.

In 2013 MicroLoan Foundation successfully secured funding for a three-year project under the Scottish Government's Malawi Development Programme. This programme was established following the signing of the Scotland-Malawi Co-operation Agreement in 2005, and currently supports over 40 projects in Malawi<sup>1</sup>.

The aim of MicroLoan's project funded by the Scottish Government was the development of profitable businesses to generate income and savings and alleviate poverty and inequality in the poorest rural communities of Central Malawi. The final grant report submitted to Scottish Government in 2016 was able to demonstrate that MicroLoan's objectives were successfully met.

Beyond the measurement of ongoing financial and social data provided in the end of project report to Scottish Government, our partnership included a commitment to carry out a detailed evaluation of client outcomes. MicroLoan Foundation used this opportunity to carry out a longitudinal research study, tracking the same women each year for three years to gain detailed insights into the benefits of MicroLoan's interventions.

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<sup>1</sup> <http://www.gov.scot/Topics/International/int-dev/Maps/Malawi>

## University of Edinburgh Partnership

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The University of Edinburgh's location and reputation for excellence in the fields of international development and research made it the natural choice for partnership for this research study. Their 'work-based placement scheme' allows MSc students to undertake a research project in collaboration with external host organisations, as an alternative to a traditional desk-based dissertation. MicroLoan has benefited from the skills of three such Masters students who have greatly contributed to the success of this three-year research study. They are:



### Elina Meliou

Elina spent almost two months in Malawi facilitating the setup of the research study, administering questionnaires with support from local MicroLoan staff, and analysing and writing the year 1 report. She explains "The research project was a success because of excellent team work, good organisational skills and continuous communication". Elina is currently working at the Cyprus Securities and Exchange Commission as an International Relations Expert.



### Ivy Migue

Ivy was based in the MicroLoan Foundation's UK office carrying out analysis of data collected by local staff and writing the year 2 report. Ivy explains "I learned so much about the different ways in which MicroLoan's work impacts women". Her experience at MicroLoan has enabled her to secure a research role in her native Kenya with IDinsight, an organisation helping leaders in developing countries use evidence to improve their social impact.



### Anastasia Nicosia

Like Ivy, Anastasia was based in MicroLoan's UK office, analysing data from all three years of the research study and writing a final report. She says, "I learned so much more about microfinance in my time with MicroLoan than I'd managed to learn previously from books". Anastasia would like to work in international development in French-speaking countries.

The students were supported in Africa by MicroLoan's social performance managers – **Joseph Kaipa**, **Malumbo Mhango** and **Edward Jere**. They were responsible for data collection and the provision of technical advice.

## Longitudinal Study

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### Malawi context

Malawi is one of the poorest countries in the world and with the population due to double by 2030 this is likely to get worse. The current Third Integrated Household Survey (IHS), published by the National Statistical Office of the Government of Malawi in September 2012, revealed that 50.7% of the 15.5 million population were living on less than \$1.25 a day. The vast majority of Malawi's impoverished population are smallholder farmers cultivating fragmented landholdings with low yields. The farms are typically subsistence-orientated and when the country suffers from poor seasons, chronic food insecurity results, particularly in the poorest households.

In addition, 51% of Malawians are financially excluded and 54% of these are female<sup>2</sup>. These circumstances create a poverty trap that impedes particularly women's chances to support their families. In recent years life in Malawi has become even more difficult. MicroLoan Foundation and its clients have faced adverse macroeconomic circumstances in Malawi. High levels of fiscal deficit, inflation and interest rates combined with depreciating currency have made operating as an organisation very difficult for MicroLoan and surviving day to day for clients close to impossible.



El Niño has made matters even worse. Flooding in 2015 followed by massive droughts in 2016 caused Malawi to declare a national state of emergency. Many Malawians, who are largely dependent on the maize crop for subsistence, have seen their crops fail, food prices rocket and severe food shortages. In this context unsurprisingly, Malawians have been focusing on survival rather than asset building. MicroLoan Foundation aims to reduce reliance on subsistence agriculture and give clients opportunities to save for unexpected events. As a result, they and their families gain increased resilience and are able to cope better in these times of crisis.

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<sup>2</sup> 2014 FinScope Consumer Survey

## Study objectives

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These challenging years from 2013 to 2016 were also the period of Scottish Government funding for our research study. We aimed to investigate our impact on clients in the following areas:

1. Business profit
2. Understanding of basic business management skills and group support
3. Savings behaviour (for investment in planned and unplanned costs) and resilience
4. Gender empowerment

## Study findings

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A total of 145 clients were tracked over three years. MicroLoan Foundation's interventions have led to the following positive outcomes for clients. This in spite of the three years of floods and drought.



## 1. Business profit

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In 2014, the average weekly business profit was over £10 and even at the end the three years MicroLoan clients demonstrated healthy weekly profits. This cash represents a significant boost to these families' ability to support themselves.

Overall **48%** of clients experienced an increase in their business profits over 3 years. The average percentage increase in business profit was **1300%**.

- ✔ New clients experienced a **19%** increase in business profits over 3 years.
- ✔ New clients experienced an **11%** increase in available household cash income over 3 years.

## 2. Increased understanding of basic business management skills and group support

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Given the challenges during the period, business management skills as we understand them, and writing a business plan did not seem a high priority to the clients. However, group support was clearly valued and the training had successfully communicated the idea that the group should come together to help a woman who cannot pay her debt. Those inclined to "snatch assets" to repay loans had reduced to a small minority by the third year of the survey.

- ✔ **9%** increase in new clients' confidence in doing a business plan.
- ✔ **53%** increase over 3 years in clients reporting that group support is 'very important'.
- ✔ **114%** increase over 3 years in clients who think that if a group member cannot pay back her loan they will 'help her run the business'.

## 3. Positive savings behaviour (for planned and unplanned costs) which also contributes to increased resilience

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Clients making voluntary savings (beyond the minimum required by MicroLoan) increased from around 60% to almost 90%. The amount of savings used for food increased at the expense of adding to business capital. This indicates that MicroLoan clients were able to buy food because of the savings they had made – whereas many other poor rural women would have struggled to feed their families. Even in these hard times, savings for education increased. In short, these women have understood the importance of saving, and value education.

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**50%** increase in clients making voluntary savings. Voluntary savings are the savings clients make on top of the minimum required to access a loan.
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 Improvement in savings used for planned costs: **32%** increase in savings used for school fees. **60%** decrease in the number of children out of school having to work to contribute to family income.
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 Improvement in savings used for unplanned costs, which leads to increased resilience. Savings helped clients overcome the challenges arising from the drought as there was a **349%** increase in savings used to buy food and a **428%** increase in savings used to buy fertilizer. The percentage of clients having to resort to coping mechanisms in relation to food security (like eating less or borrowing from friends to buy food) has dropped by **2%** over 3 years, a positive achievement bearing in mind the extremely challenging environmental and economic context. This may in large part be due to clients' access to savings and demonstrates clients' resilience in times of external stress.
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 In clients' own words they report the importance of savings to their lives, both for planned costs (e.g. household repair, children's education) and unplanned costs such as emergencies (e.g. drought, illness):
  - "I save to add to my business to sustain it".
  - "I want my savings to grow so that I can renovate my house".
  - "I save for emergencies in my home".

#### 4. Increased gender empowerment

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This subject is deeply complicated by cultural attitudes and will take more than a few years to change. The study did not show a clear shift in women's confidence or their position as breadwinners relative to their husbands. There was however a definite increase in the number of women (from a third to just over half) who made their own decisions about how their loans were used.

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**85%** of clients reported being 'very confident' going to a bank in 2016.
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**89%** of clients contributed to the household income in 2016.
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**126%** increase in clients being members of a group other than a MLF group over 3 years.
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**48%** of clients held leadership positions either within the MicroLoan group or within other community groups in 2016.

## Lessons learned and next steps

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This study has contributed to greater understanding of MicroLoan Foundation's interventions and the impact these have on our clients. We pride ourselves in being a learning organisation, always striving to improve our products and services in order to meet our clients' needs more effectively.

As a result of our learnings in recent years and thanks in large part to partnerships with both Scottish Government and University of Edinburgh we are making a number of methodological changes to improve both our clients' outcomes but also our organisational efficiency. These include:



**Basing our Loan Officers within the communities they serve** so they are closer to their client-base and have a greater understanding of their needs and challenges. It will also cut down on travel time allowing staff to service more groups.



**Being more responsive to clients who are vulnerable** as a result of poor economic climate or natural disaster for example. These clients will be more quickly identified and supported at group level by the Loan Officer. If necessary they can be offered an individual rescheduled loan so they can continue to benefit from group support and MicroLoan Foundation training.



**Acknowledging the importance of savings** and improving clients' ability to access savings quickly and at community level, particularly for unplanned costs and emergencies.



**Tracking more outcomes data** in order to gain a more rounded picture of the impact of our work on a larger sample of our clients over time.

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