

Title

**ASSESSMENT ON THE IMPACT OF MICROFINANCE AND SAVINGS PROGRAMSON
THE SOCIAL ECONOMIC AND WELL_BEING OF SINGLE MOTHERS IN NKHONGO
VILLAGE.**

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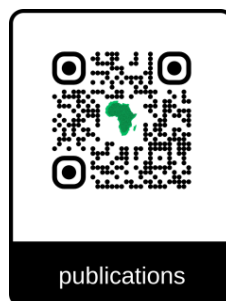
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ABSTRACT

This study assessed the impact of microfinance and savings programs on the socio-economic well-being of single mothers in Nkhongo Village, Malawi. Single mothers in rural communities often face persistent economic challenges, including limited access to financial resources, unstable income sources, and social marginalization. Using a qualitative research approach and an exploratory research design, the study collected data through in-depth interviews with 25 single mothers participating in microfinance and savings programs. The findings revealed that participation in microfinance and savings initiatives significantly improved the economic empowerment of single mothers by enabling them to start or expand small businesses, meet basic household needs, pay school fees, and improve their children's nutrition and overall welfare. Additionally, the programs enhanced decision-making autonomy, reduced financial stress, and increased social confidence and community participation. However, the study also identified several challenges, including high interest rates, rigid repayment schedules, lack of collateral, irregular income, and social stigma. Despite these challenges, single mothers demonstrated resilience through community-based coping mechanisms such as informal savings groups and peer support. The study concludes that microfinance and savings programs play a crucial role in improving the socio-economic well-being of single mothers but require more flexible, inclusive, and holistic approaches to maximize their effectiveness. The study recommends integrating financial services with business skills training, flexible repayment terms, and supportive social services to enhance sustainable empowerment.

Keywords: Microfinance; Savings Programs; Single Mothers; Socio-Economic Well-Being;

Women Empowerment; Financial Inclusion; Rural Development; Malawi

INTRODUCTION

Microfinance refers to the provision of financial services, such as microcredit, savings, and insurance, to low-income individuals and households who lack access to traditional banking services (*Ledgerwood, 2013*). Microfinance aims to alleviate poverty, promote financial inclusion, and empower marginalized communities (*Robinson, 2001*). Microfinance provides financial services like loans, savings, and insurance to low-income individuals and small businesses who lack access to traditional banking. Its goal is to empower them to improve their livelihoods and economic well-being.

Single mothers in rural areas often face challenges on economic and social, including limited access to financial resources, employment opportunities, and social support. Microfinance and savings programs have shown as potential solutions to address these challenges, providing single mothers with access to capital, and economic empowerment. This study will aim to assess the impact of microfinance and savings programs on the economic and well-being of single mothers in NKHONGO Village. By examining the experiences and outcomes of single mothers participating in these programs, this study seeks to contribute to a deeper and more understanding of the effectiveness of microfinance and savings on the economic and well-being of single mothers.

Background of the study

Revolution in rural and microfinance seem to be recurrent event. One such revolution started in the 1970s, when *Shaw and McKinnon (1973)* at Stanford university propagated, pertaining to financial system, the crucial importance of money and capital in economics Development; and a group of scholars around *Dale Adams (1984)*

The modern concept of microfinance emerged in the 1970s with the establishment of the Grameen Bank in Bangladesh by *Muhammad Yunus (Yunus, 2003)*. The Grameen Bank's innovative approach to lending, which focused on group-based lending and social collateral, has been widely recognized as a pioneering effort in the field of microfinance. The concept of small loans and financial services for the poor has a longer history, dating back to the 1800s in Europe. In the 1800s, institutions like Raiffeisen's cooperative lending banks in rural Germany provided financial services to farmers, demonstrating an early understanding of financial inclusion for the poor (*Guinnane, 2001*). Similarly, credit cooperatives emerged in England in the 1850s, offering financial services to previously unbanked populations (*Ledgerwood, 2013*). Informal forms of microfinance, such as "tontines" or rotating credit associations, also existed in various forms before the 1970s (*Armendáriz & Morduch, 2010*).

The establishment of the Grameen Bank in the 1970s marked a significant turning point in the history of microfinance, bringing a formal structure to the industry and making it a more recognized and widespread practice (*Yunus, 2003*). Since then, microfinance institutions (MFIs) have grown and developed into a global movement, providing loans, savings, and other financial services to millions of individuals and small businesses.

Microfinance is characterized by several key

features, including small loans, savings and other services, a focus on the poor, and a community-based approach (*Ledgerwood, 2013*). MFIs often provide loans to entrepreneurs and small business owners with little or no collateral required, and may also offer savings accounts, insurance, and other financial services. It has shown that it can greatly impact individuals, as it can empower individuals and communities by providing access to capital for businesses and improving their livelihoods (*Khandker, 2005*). Microfinance has also been shown to contribute to poverty reduction and broader social development, including improved health, education, and gender equality (*Banerjee et al., 2015*).

Microfinance in India: A critique, the evolution of microfinance in empowerment of women and poverty alleviation was studied. Microfinance was viewed as an important tool for providing self-employment for the low-income rural population. This paper studied the various delivery models of microfinance institutions, which contribute to women empowerment in India. Benjamin, *L.et al. (2004)* revealed that Community development Financial institutions (CDFIs) help to address the financial needs of under-served, predominantly low-income communities. CDFIs include community development banks, credit unions, business and microenterprise loan funds, and venture capital funds. Although CDFIs are a rapidly growing and an increasingly important area of community economic development, they have not received proportionate attention from academic researchers. *Mosley, P. and J. Rock. (2004)* examined a range of six African Micro-Finance institutions with a view to assessing and if possible enhancing their poverty impact. The impact of Micro-Finance loans is variable between institutions, with a tendency in particular for savings services to be taken up by people

well below the poverty line, especially in South Africa and Kenya. However, many benefits to the poor from Micro-Finance programmers, in Africa at least, are likely to come via an indirect route, via 'wider impacts' or 'spin-offs', rather than by through direct impacts on borrowers. *Gaduin, M. (2002)* in their study found that a comprehensive analysis of the performance of Micro-Finance institutions (MFIs) in terms of repayment.

We focus the analysis on the impact of group lending, nonfinancial services and dynamic incentives on repayment performance. We test for endogeneity of loan size and use instrumental variables to correct for it. In the second section of the paper, we use a comparative analysis of the determinants of the repayment performance and of loan size in order to make policy recommendations on the allocation of loans by MFIs. *Tsai, K. S. (2000)* revealed that Banking authorities in both China and India have attempted to limit most forms of informal finance by regulating them, banning them, and allowing certain types of Micro-Finance institutions. This article suggested that the persistence of informal finance may be traced to four complementary reasons-the limited supply of formal credit, limits in state capacity to implement its policies, the political and economic segmentation of local markets, and the institutional weaknesses of many Micro-Finance programs. *Morduch, J. (1999)* the need of microfinance comes from the disadvantaged sections of the society - who are unable to access to services of formal sector financial intermediaries- and are typically excluded from the formal banking system. Significance of Study: Micro financing plays vital role.

Problem statement

Similar to findings in Malawi, research

conducted by the *World Bank (2014)* shows that microfinance has positively impacted the economic well-being of single mothers. The study focused on how microfinance had improved consumption, reduced poverty, and increased access to healthcare and education for single mothers. However, despite these positive impacts, there was a significant gap in understanding the comprehensive effects of microfinance programs on the overall economic well-being of single mothers despite that single mothers faced unique challenges, such as limited access to collateral, limited financial knowledge, and high interest rates, which can hinder the effectiveness of microfinance programs. This research aimed to systematically evaluate the effectiveness of microfinance and savings programs in addressing the economic challenges faced by single mothers, shedding light on the program's mechanics, limitations, and potential for sustainable socio-economic empowerment. By evaluating outcomes and identifying potential barriers, this research provided valuable insights that informed policy improvement and contribute to the overall empowerment and inclusion of single mothers

RESEARCH OBJECTIVES

Main objective

- To assess impact of microfinance and savings on the social-economic and well-being of single mothers in NKHONGO village.

Specific objectives

- To identify how single mothers have benefited from microfinance and

savings in NKHONGO village.

- To identify challenges faced by single mothers in relation to microfinance and savings programs in NKHONGO village..
- To identify importance of microfinance and savings on the social- economic and well- being of single mothers in NKHONGO village.
- To recommend possible ways to improve microfinance and savings on the social- economic and well being of single mothers in NKHONGO village.

Research questions

- What are the benefits of Microfinance and savings on single mothers in NKHONGO village?
- What are the challenges that single mothers who participate in microfinance and savings face in NKHONGO village?
- What is the importance of microfinance and savings on social- economic and well- well- being of Single mothers in NKHONGO village?
- What are the recommendations to be used to improve microfinance and savings on the social economic and well-being of single mothers in NKHONGO village?

Significance of the study

This study contributed to the existing literature on microfinance and its impact on single mothers. By providing insights into the effectiveness of microfinance programs,

the study informed policy and program development aimed at supporting the economic empowerment and inclusion of vulnerable populations. The findings of this research shed light on the potential of microfinance to address the specific needs of single mothers, ultimately contributing to their economic well-being and social inclusion. The study provided a comprehensive understanding of the benefits and challenges associated with microfinance programs and savings for single mothers, and its results were valuable for policymakers, practitioners, and researchers seeking to improve the economic outcomes and well-being of single mothers.

LITERATURE REVIEW

This literature review was the presentation of scholarly work that was being looked at through with respect with the proposed area of study, which was also guided by the author through the conceptual framework. The literature review handled journals, books, reports and articles written were explored. With respect from the relevant information concerning the impact of microfinance and savings programs on the economic and well-being of single mothers in NKHONGO village.

Definition of terms

- **Microfinance**

Microfinance refers to the provision of financial services, such as microcredit, savings, and insurance, to low-income individuals and households who lack access to traditional banking services (*Ledgerwood, 2013*)

- **Single mothers**

Single mothers are women who raise children on their own, without a partner or spouse, due to various circumstances such as divorce, separation, death of a partner, or choosing to have children outside of a partnership (Kotwal & Prabhakar, 2009; Burdett & Ermisch, 2002).

- **Savings**

According to Laurence J. Kotlikoff, a professor of economics, saving is crucial for economic growth as it adds to the stock of capital, leading to a higher future standard of living. In the context of national saving, it's calculated as net national income less private consumption expenditures less government consumption expenditures.

- **Social economic**

Socioeconomic refers to the interaction between social and economic factors that affect individuals, communities, or societies.

According to the World Health Organization (WHO), socioeconomic status is a complex construct that includes both social and economic dimensions, influencing health outcomes, education, and overall well-being (WHO, 2019).

- **Loans**

A loan is when someone lends you money, and you promise to pay it back, usually with extra money added on top, called interest. It's like borrowing from a friend or bank, but you have to give back more than you borrowed.

METHODOLOGY

Research methodology

According to Moffit (2020) research method is a methodical plan for conducting research. These can either be qualitative, quantitative or mixed research method.

The research method that was used in this study is qualitative. This involved collecting and analyzing non numerical data and that pursues to reorganize meanings from data that helped to comprehend social life through the study of targeted population or place. This type of data is much concerned with qualitative phenomenal. This type is mostly used when you are interested in investigating the reasons of human behaviour, the environment. How people think and it is always associated with details. This method is chosen to deepen the researchers understanding on the phenomenal which involves going beyond surface. (Maxwell, 2016).

Research design

(Bhatt, 2019) defined research design as a framework of methods and technique chosen by a researcher to combine various components of research problem in a reasonable logical manner so that the research problem is efficiently handled. There are three types of research design and these are: exploratory, descriptive, diagnostic and experimental research design.

The study used exploratory research design. This is a valuable means to finding out 'what was happening: to seek new understanding: to ask questions and to measure sensations in new light. It was undertaken when not much is known about the situation at hand, or no information was

available on how similar problems or research issues have been solved in the past. The main emphasis in exploratory study is on the findings of concept and understanding and it is undertaken to better understanding the nature of the problem since very limited studies might have been piloted in that area, (Robert, 2020)

Research setting

The research was conducted at Nkhongo village

Target population

A study population was the entire set of units for which the survey data are to be used to make readings (Bienne 2015). It covers the total group of individuals from which the sample will be drawn based on the researchers interest in researching (Bienne 2015). Hence this research targeted single mothers participating in microfinance and savings at NKHONGO village.

Sampling technique

According to Chambers 2010, sampling is a process used in statistical analysis in which a determined number of observations are taken from a large population. There are two sampling methods that one can use during a study which are probability and non-probability sampling. Probability sampling is divided into different types which include simple random sampling, stratified, systematic sampling and cluster sampling. Non-probability is divided into different types of which are quota, judgment, convenience and snowball sampling. However, the study will use purposive sampling. Purposive sampling is a non-probability method where researchers

deliberately select specific individuals or group to be part of the study based on certain characteristics.

This form of sample is often used when working with a very small sample such as in case study research and when you wish to select cases that are particularly informative. Purposive sampling may also be used by researchers adopting the grounded theory strategy. For such research, findings from data collected from your initial sample inform the way you extend your sample into subsequent cases. Such samples cannot be considered to be statically representative of the total population (Neumann 2015)

Sample size

The research was conducted with 25 participants which are single mothers who participate in microfinance.

Research instruments

Refers to tools surveys or questionnaires used to collect data in research studies (Rosenberge, M 2016). The researcher will use interviews. Interviews is a face-to-face conversation with the respondent (Bell 2020). Interviews involves two, one of whom is the interviewer asking questions, with the goal of gathering information, insights, or opinions on a particular topic. The interview can not only record the statement, the interviewee speak but can observe the body language, experience and other reactions to the questions too. This enables the interview to draw conclusion easily. This method has several advantages whereby it helps to collect complete information with greater understanding; it is more personal than, as same as questionnaire which allow having higher

greater response rates and also allows more control over the order and flow of questions (bell 2020)

Data collection

Data collection is defined as the procedure of collecting, measuring and analyzing accurate insight for research using standard validated technique. These various methods used to collect data as discussed above and the data types include primary and secondary data. The researcher will use interview guide as an instrument for primary data collection secondary data was obtained from relevant literature like journals, internet, magazine and books. Therefore, permission will be granted from the village head man to conduct research. The interview will be asking questions to the participant to obtain the required information to the study. The participants will be guided on how to respond to the questions and will be assured of confidentiality. Data will be collected by listening to participants.

Pilot study

A pilot study is defined as a preliminary small scale study that researchers conduct in order to help them choose how best to conduct a large scale research project. It is a pretest for a particular research instrument such as questionnaire or interview guide, (Crossman, 2019). The interview guide will be pretested to check if the questions are in line with the objectives of the study as well as to find out if the question are clear and understood by the participants.

Data Analysis

Data analysis is the process of inspecting, cleansing, transferring and modelling data with a goal of discovering useful information, informational conclusion and supporting decision making (Kothari, 2014). This research will use thematic data analysis. According to Creswell (2018) thematic data analysis is a qualitative research method that involves identifying and interpreting patterns and themes in data.

Ethical consideration

Ethical consideration is principles that are to be followed when conducting the research study which help the researcher to differentiate between what is right and wrong. The ethical consideration which will be followed when conducting the research will be the following:

- Assuring no harm to participants

The researcher will assure the participants that there will be no harm, it will be professional by avoiding inappropriate language when communicating with participant.

- The nature of language will mainly depend on the level of people communication with Confidentiality

The researcher will protect the confidentiality of participants by ensuring that their identities and personal information will be kept confidential. Data will be stored and secured. And it will be accessible to authorized personnel only.

- Obtain permission from the village headman

The researcher will obtain permission from the village headman before going to conduct

the research through a letter, so that the researcher is welcomed to collect data from village members. The permission letter will be taken from the university and will be presented to the village headman.

RESULTS AND DISCUSSIONS

Response Rate

Response rate means the percentage of the responses that have been returned from participants after their responses on the interview. 20 participants are used as a targeted population of which all of them participated using interview guide which represented 100% return rate.

Demographic Information

This section represented data in line with the demographic characteristics with the aim of establishing the general background of participants that participated in the study. This study's demographic data is based on those in active which consists of age, number of children, and level of education and source of income.

- **Age Of Participants**

Age is necessary in this study as it provides a lot of valuable details during analysis of their feedback to reveal if there strong correlation between age and subsequent opinions and behavioral traits.

This shows that most mothers did not go far with school as 8 mothers only attended primary which represents 40% 6 mothers attended secondary which represents 30%, 3 mothers attended collage which represents 15% and 3 mothers did not attend school which represents 15%

- **Source of Income**

Source of income is a crucial aspect of the study as it directly affects their economic stability, financial security and ability to invest in their human capital and their children.

Presentations of Results

- **Benefites of single mothers in microfinance and savings in Nkhongo village**

The first specific objective was to identify how single mothers have benefited from microfinance and savings. The participants are asked a set of questions during the interview In order to know the benefits they have benefited from microfinance and savings.

The year they started to participate in microfinance and savings

The research study wants to find out the year single mothers started to participate in microfinance and savings.

Year	Frequency	Percentage
2018-2019	5	25%
2020-2021	7	35%
2022-2023	8	40%

TOTAL	20	100%
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The research findings shows that most single mothers joined microfinance and savings in 2022-2023 which represents 40% and 2020-2021 representing 35% and few of participants joined in 2018-2019 and representing 25% .the research findings shows that most participants joined in the year 2020-2021 and 2022-2023. As they are able to access loans and save money

• **Benefits of microfinance and savings to single mothers**

The research revealed that a lot of single mothers have benefited a lot from microfinance and savings programs

Economic Empowerment

The participants reported concrete economic benefits from microfinance and savings programs. These included the ability to pay for children's school fees and basic needs, start small businesses, and even invest in significant assets like building a house. This was often described as a transformation from daily survival to having the capacity to plan for the future.

This shows that a lot of single mothers have benefited a lot from microfinance and saving. These findings are in line with the research done by, Cheston (2002) and Van Rooyen (2012), who argue that microfinance provides women with monetary support to start businesses and become active economic participants, thereby improving their status. It Show that community savings groups significantly improve household income, savings, and expenditure, creating a foundation for women's empowerment.

Independent to make decisions

Some of the participants mentioned that

microfinance and savings has been so helpful to their well being. The participants said microfinance and savings has helped them to be independent and to make decisions on their own as they are able to support themselves and they do not depend on any one to help them.

Single mother 1 said *"I feel more independent and am able to make decisions on my own as I do not depend on others to help me and help me to make decisions for me and my family."*

This shows that the program have empowered single mothers to make their own decisions and take control of their lives make improved decisions and improve their social well-being as at first they could depend on others to make decisions for them. But as they are independent they are able to make informed decisions on their own. Studies have shown that women involved in microfinance programs tend to have more control over their finances and are better at making decisions regarding their businesses and homes. (Karlan and Zinman)

Reduced stress and anxiety

Some of the participants mentioned that microfinance and savings has been so helpful to their well being. The participants said microfinance and savings has helped to reduce stress and anxiety about money.

Single mother 2 *"it has helped me to reduce stress and anxiety about money as now I can sleep freely without any worries about money"*

This shows that the program has helped single mothers to take control of their finances. It has reduced finance stress has given them peace of mind, allowing them to focus on other aspect of their lives. and it encourages single mothers to save regularly provide a safety net for unexpected expenses and reduce financial stress.

- **Challenges faced by single mothers in relation to microfinance and savings**

High interests

Participants faced significant challenges. These included practical barriers like high interest rates, complex or lengthy loan processes, and a lack of collateral. They also faced social and cultural barriers, such as discouragement from family and community members who believed women, especially single mothers, should not take on debt. Irregular income also made repayment difficult.

The data is inline and confirms challenges documented in your literature review, such as *Mayoux's (2002)* finding that women's economic choices are constrained by gender inequalities. It also supports *Arora's (2011)* observation on barriers to financial inclusion, such as lack of awareness. The findings are consistent with research indicating that single mothers, especially those with a lower socioeconomic background, face inherent resource challenges and community stigma.

CONCLUSION

The study concludes that microfinance and savings programs have a substantially positive impact on the socio-economic well-being of single mothers in Nkhongo Village. These programs act as a vital catalyst for economic activity, poverty alleviation, and social empowerment. They transform single mothers from living in a state of day-to-day survival to having the ability to plan, invest, and secure a better future for their children.

However, the full potential of these programs is hindered by a combination of structural, operational, and socio-cultural barriers. The standard microfinance model is not fully adapted to the irregular income patterns and unique vulnerabilities of single mothers. High costs, rigid structures, and deep-seated stigma prevent the programs from being universally accessible and effective.

Therefore, microfinance and savings are a necessary but not sufficient tool for the empowerment of single mothers. Their effectiveness is maximized when they are part of a broader, supportive ecosystem that addresses both financial and non-financial needs.

RECOMMENDATIONS

From the study the researcher carried out the impact of microfinance and savings on the social economic well being of single mothers at Nkhongo village. These are the recommendations. Based on the findings, the study proposes the following recommendations:

- **For Microfinance Institutions (MFIs) and Program Implementers:**

Design Client-Centric Products Develop flexible loan products with graduated interest rates, grace periods, and repayment schedules synchronized with clients' cash flows (e.g., seasonal loans for farmers).

Adopt a "Credit-Plus" Model: Integrate essential non-financial services into programs, including: Practical business development training (record-keeping, pricing, marketing).The basic financial literacy like education for clients and their older children and Facilitate linkages to larger markets and value chains.

Leverage Technology and Community Explore digital savings and payment platforms to improve access and security. Scale programs by training successful single mothers as community-based agents to drive recruitment and peer support.

- **For Policymakers and Government Ministries (Finance, Gender, Community Development):**

Recognize and Target Officially recognizes single-mother households as a priority

demographic for economic inclusion policies. Mandate the collection of disaggregated data on their participation in financial programs.

Provide Smart Subsidies and Guarantees
Create partial credit guarantee funds to encourage MFIs to lend to single mothers without traditional collateral. Consider subsidizing the first loan or providing interest rebates upon successful completion to build credit history.

Invest in Enabling Infrastructure: Support the development of digital financial infrastructure in rural areas. Fund the integration of social services (e.g., childcare support, legal aid clinics) with economic empowerment programs.

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