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Assessment on the Impact of Small Scale Business on Economic Growth- Case Study on Lilongwe Market Women Vendors.

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ABSTRACT

This study examines the impact of women's small-scale businesses on economic growth in Lilongwe, Malawi. Small enterprises play a crucial role in driving employment, reducing poverty, and promoting inclusive development, yet women entrepreneurs often face barriers such as limited access to finance, markets, and business training. Using a case study approach, the research highlights how women-owned businesses contribute to household income generation, job creation, and local trade expansion, thereby strengthening the city's economic base. The findings underscore the importance of supporting women entrepreneurs through financial inclusion, capacity building, and policy reforms to maximize their role in fostering sustainable economic growth.

Introduction

Every country in the world regardless of its population and available natural resources usually aspire to grow and develop to a level that would enable her citizens to live a comfortable lives. Also, just like human being needs to grow and develop to justify his existence, a nation must grow and develop to guarantee its existence. The growth and development of a nation must cut across every sphere of life most especially the economy. Thus, it is important to note that there is a difference between national growth and development. This implies that national growth is not synonymous with development. Although, the two terms are closely related but they are not the same thing. A nation could experience growth which is not necessarily means that such nation has developed. A nation experiences growth when there is an increase in the volume of goods and services produced in such a country within a fiscal year. National growth can be described as situation that leads to increase in the gross domestic product (GDP) of a country within a fiscal year. National development goes beyond growth because a nation that fails to grow cannot develop hence growth is a step towards development. There are two major indicators of national growth they are; increase in population and increase in the volume of goods and services produced in the country within a year.

Background

Since the dawn of democracy in Malawi in 1993, the business environment has been so conducive to small scale traders such that many individuals and families have been able to establish their own businesses. This has led to the increase in the number of small scale businesses to account for at least 80% of business entities in Malawi. Ever since the world became a global village, business activities have advanced at very fast rate and this has seen countries getting engaged in trade relations with other countries with little or no difficulties at all. The free trade benefits realized by most countries have seen the development of business entities within nations. In small African economies, Malawi being one of them, a number of small businesses have also mushroomed of late. Absorb (Kedrock & Agar, 2007).

Research Objectives

Main Objective

To analyze the impact of small scale business among women in economic growth

13.2 Specific Objectives

To Identify and analyze different small scale business in Lilongwe district among women

To critically assess the contribution of women's small scale business in economic growth

To assess barriers women, face in engaging in small scale business as well as possible recommendations

Significance of the study

Small-scale businesses play a critical role in driving economic growth by fostering entrepreneurship, creating jobs, and reducing poverty levels in both developed and developing countries. They provide a foundation for inclusive growth since they absorb a large proportion of the labor force, including those with limited formal education and skills, who might otherwise remain unemployed (Beck & Demirguc-Kunt, 2006). In many economies, small enterprises are the backbone of productive activity and contribute significantly to gross domestic product (GDP). This makes them an essential pillar in promoting sustainable economic development.

Secondly, small-scale businesses are key in stimulating innovation and competition, which in turn enhances productivity and efficiency within an economy. Unlike large firms, which often face bureaucratic hurdles, small enterprises are more flexible and adaptive to changing market dynamics. Their innovative approaches and local-level solutions enable them to fill market gaps that bigger firms may overlook (Ayyagari, Beck, & Demirguc-Kunt, 2007). This fosters a dynamic business environment that spurs technological advancement and diversification of the economy.

Furthermore, small-scale enterprises play an instrumental role in enhancing income distribution and reducing inequality. By operating in rural and urban settings, they provide livelihood opportunities that spread economic benefits across different population groups. This inclusivity ensures that economic growth is not concentrated among a few large firms or urban centers but is shared more broadly, thereby promoting equitable development (Hallberg, 2000). In this way, small-scale businesses contribute to social stability by minimizing the risks of income disparity.

Scope of work

This study focuses on assessing the impact of small-scale businesses on economic growth, with a specific emphasis on the case of women entrepreneurs in Lilongwe District, Malawi. The research seeks to examine how women-owned small enterprises contribute to employment creation, household income generation, poverty alleviation, and the overall economic development of the local community. Women are increasingly recognized as critical drivers of economic growth, yet their contributions often remain under-documented. Therefore, this study seeks to narrow the focus to women-owned enterprises to highlight their role in fostering inclusive and sustainable development.

Geographically, the study is confined to Lilongwe District, the capital city and economic hub of Malawi. Lilongwe provides a suitable case for the study because it is home to a large number of women entrepreneurs engaged in diverse business activities ranging from small-scale trading and tailoring to food vending, salon services, and small manufacturing. The selection of this area ensures the inclusion of both urban and peri-urban contexts, providing a broader perspective on the challenges and opportunities that women entrepreneurs face. However, because the study is limited to Lilongwe, the findings may not be fully generalizable to other districts of Malawi where business environments and cultural factors differ.

Thematically, the study concentrates exclusively on women-owned small-scale businesses rather than male-owned enterprises, medium-sized, or large firms. This scope is chosen because women entrepreneurs often encounter unique challenges such as limited access to credit, low collateral ownership, cultural barriers, and lower participation in formal markets. The study assesses how these women-owned businesses, despite such constraints, contribute to economic growth by providing livelihoods, creating jobs, and reducing income inequality. Their activities are linked to broader development goals such as empowerment, poverty reduction, and inclusive economic participation.

Methodologically, the study applies a quantitative and descriptive approach, using surveys and interviews with women small-scale entrepreneurs to collect primary data. Secondary data will be obtained from government reports, academic literature, and statistical sources related to entrepreneurship and economic growth. The research will focus on key economic indicators such as employment levels, household income, and contribution to GDP at the local level. While acknowledging the role of other macroeconomic factors like foreign direct investment, trade policies, and government spending, the scope is deliberately narrowed to isolate the specific contributions of women small-scale entrepreneurs.

Lastly, the study covers the period 2020–2024, chosen to reflect contemporary dynamics affecting women entrepreneurs, including post-COVID-19 recovery, digitalization of small businesses, and government support programs targeting women. By focusing on this timeframe, the study provides timely insights into the current challenges and opportunities facing women entrepreneurs in Lilongwe, and how their enterprises are contributing to Malawi's economic growth.

LITERATURE REVIEW

The role of microfinance institutions on women's entrepreneurship development

Microfinance is a no-collateral loan given to the poorest people in rural areas where traditional banks have disregarded these communities due to a lack of collateral and regulatory systems that make borrowers' loan repayments exceedingly difficult, if not impossible (Minai et al., 2021). Microfinance services also benefit women and play an essential role in their empowerment. Economic empowerment is designed to generate increased self-esteem, respect, and other forms of empowerment for women beneficiaries. More specifically, microfinance services as development organizations are to service the financial needs of un-served or underserved markets as a means of meeting development. It includes reducing poverty, allowing them to earn an independent income, empowering women or other disadvantaged population groups to create employment (Ledgerwood, 2000; Tariq & Sangmi, 2019). Entrepreneurship is an effective method for creating job opportunities in any given country, and female entrepreneurs play an essential role in any given country (Nawaz, 2018).

Women Empowerment through participation through Micro-credit- The case Bangladesh

The empowerment of women is one of the central issues in the process of development of all developing countries in the world. Historically, women in Bangladesh are deprived socially and economically compared to men. Disparities between men and women prevails here in education, health, employment and income opportunities, control over assets, personal security and participation in the political process that make women disadvantaged and less empowered, which limits the country's ability to achieve its full potential. It is well established that women have less access than men to investments in skills, knowledge and lifelong learning. The empowerment of women is an essential prerequisite for the exclusion of world poverty and the upholding of human rights. The World Bank study in Bangladesh highlights that women have limited role in household decision-making, limited access and control over household resources (physical and financial assets), low level of individual assets, heavy domestic workloads, restricted mobility and inadequate knowledge and skills that leading to women's vulnerability. Thus mainstreaming of women is greatly essential for sustainable rural development.

Collateral

Here is the primary difference between the vast majority of microfinance and traditional commercial banking. Because the customer base in microfinance is the poorest of the poor, who often do not own land, nor own sufficient assets to serve as collateral for the loan, micro lenders are forced to make loans without collateral.

Capital

Capital concerns having enough equity invested in a project to ensure that the borrower is sufficiently motivated to continue the venture and to repay the debt. It is also concerned that the borrower has additional funds available to weather any unforeseen problems after the loan is made. In traditional banking it is assumed that if a borrower has little of his or her own funds personally at risk, that he or she will be less likely to stay with the enterprise when times are tough.

Theoretical Review

Entrepreneurship Theory

Schumpeter (1934) defines an entrepreneur as an innovator who is the prime mover of economic development. Economic development occurs in industrial and commercial life. Since economic progress comes from innovations, the innovator who is a monopolist at this point is beginning a new idea should be protected from exploitation by people who would take over his/her ideas and product counterfeit products of economic development by carrying out new combination to production.

Development Theory of Poverty Reduction

This holds that most countries progress through similar stages of development in an effort to curb poverty (Potterovich & Popov, n.d). There are four stages of development. Stage one, which is the pre-industrial stage is characterized by high death and birth rates but not much of economic development. The country begins to develop in stage two where the death rates decline and there is improved food supply and proper sanitation. Birth rates begin to fall in stage three because people are now able to practice family planning. There is also urban development, increase in education, and parents begin to invest. This has made it possible for developed countries to assist the underdeveloped countries so as to free them from persistence donor dependence. Stage four is characterized by low birth and death rates. There is increased development at this stage.

The development stage theory is equated to the stages the woman entrepreneur undergoes in her business from a low level of setting a few items such as necklaces and bangles, which require minimal capital to stock. She eventually gets to sell clothing, eventually progressing to sell in bulk or wholesale market and exporting the products. The woman entrepreneur can be assisted through various methods to reduce poverty such as availing credit facilities for business, investment opportunities, creating markets for their products, use of modern technology and offspring training.

Findings and Discussion

Type of Business	Explanation
Food Vending and catering	Include selling of food items to customers specifically at small scale ranges from 500 kwacha to 5000 kwacha allowing access to small and small and medium income people
Tailoring and sewing	Involves amending customers clothes as well fashion design ranging from as low as 300 Kwacha going upwards
Grocery Shops	Selling of different items from bread, soap as well as other related food items
Hair Saloon and beauty service	Involves braiding women's hair ranging as well as selling human hair in different locations
Poultry Farming	Selling of different poultry products such as goats, chickens, pock, even domestic animals
Mobile Money Agents	Women involvement in financial transactions in mobile services be it Airtel and Mpamba
Agriculture business	Oversees women selling of different agriculture products such be it animal and crop business
Decoration Business	Oversees women keen interest in offering decoration services in several community functions
Art Business	Selling of art works such as pots and other crafts to customers
Soap Making	This involves women ability to manufacture detergents and selling it to community members at a cheaper price

The study has discovered that Women small scale business plays a huge part in the economic development of Malawi according to 5 business women in Lilongwe market stressed that small scale business leads to income generation which is a vital assert in the economic development, they further stressed that small scale business provides daily returns to women as such women have money that can be used to resolve some financial problems in addition income generation result into women purchasing food items in different markets and the realised is channelled towards the social economic development of Malawi in a form of taxation, in addition the study notes that income generation reduces burden on government and stakeholders in catering the needs of the masses as such the money that could have been used in different projects such as construction, purchase of medicine, creation of industries so as to create a variety of jobs hence leading to economic development. The study also notes that small scale business alleviate poverty, two respondents and agricultural traders argued that animal business such as selling of cattle, goats as well as milk has yield results, two women stated that since the start of business they have made huge income and they have managed to resolve a lot of household problems such as school fees, food stuffs, medical bills, three restraint operators argued that they have managed to have good lease of life since the operations of their business and in addition they have been paying taxes to government and any other market fees have been resolved this has made government generate revenue which is vital to social economic development.

The study notes that women face a lot of challenges in their quest for small scale business, one of the immediate challenge is lack of financial prudence, a stakeholder at the Malawi commerce of trade chambers union argues that business no matter how small requires capital which is a big burden to most women in general this affects women capacity to implement a business of their choice, 18 women argues that it is the wish of most women to engage in small scale business so as to carter their daily needs but financial constraints have proven to be a big challenge, a scholar at MUBAS argued that business is a gamble in which one can loose and win as such most of the women becomes scared when it comes in taking a risk so as to obtain a loan in banks, in addition the study notes that interests rates in Banks and related micro finance institutions is very long with a prolonged paying back duration this in stills laziness on the part of women in addition the study notes requirements for loan acquisition is another burden

Conclusion

The study has discovered that women discovered that a variety of women engages in small scale business such as poultry farming, saloon business, grocery business and many more, these small scale business yields a lot of returns and contributes to the economic development among the benefits of small scale business include poverty alleviation economic development, income generation, creation of employment however issues of capital, male dominance and fear has put a strain on women accessibility towards loan acquisition

Recommendations

Expand Access to Affordable Finance for Women Entrepreneurs Many women in Lilongwe who run small-scale businesses struggle to access affordable credit because of limited collateral, stringent bank requirements, and high interest rates

Provide Business Training and Skills Development Most women entrepreneurs in Lilongwe operate informally and often lack business management knowledge, such as bookkeeping, marketing, and financial planning. Capacity-building programs tailored for women should therefore be introduced, with training in entrepreneurship, digital literacy, and leadership

Areas for further studies

Comparative Studies across Urban and Rural Areas Future research could compare the experiences of women entrepreneurs in Lilongwe with those in rural districts of Malawi. Such comparative studies would highlight whether the challenges and opportunities women face in small-scale businesses differ based on geographical location, access to infrastructure, and cultural norms.

Longitudinal Studies on Business Growth and Economic Contribution there is a need for longitudinal studies that track women-owned small-scale businesses over time to assess how they evolve and contribute to economic growth in the long term.

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