THE ROLE OF THE INFORMAL SECTOR IN POVERTY REDUCTION AND FOOD SECURITY IN MALAWI (A CASE STUDY OF LUFITA EPA IN CHITIPA RDP)

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ABSTRACT

The study was conducted in Karonga Agricultural Development Division (ADD) specification in Lufita. Extension Planning Area (EPA) of Chitipa Rural Development Project (RDP). It was aimed at assessing the role of the informal sector on poverty reduction and food security. A total of 60 respondents were randomly selected for data collection using a structured and pre-tested questionnaire. The collected data was analysed using SPSS and results presented through descriptive statistics.

The results indicated that the majority of the respondents in the area were farmers such that agriculture was regarded as their main source of livelihood. For instance, in terms of maintaining household food security, over 86.7% of the respondents depended on their own production, while 13.3% were buying from the markets and no households obtained from either relatives or friends. As such agriculture played an important role in the growth and development of the (Income Generating Activities) IGAs. The IGAs were mainly aimed at providing income which was used in purchasing of various household needs and input requirements to support agricultural production.

The study drew some of the recommendations which if considered could create a conductive environment that promote development of the IGAs in the area. One of them was need to encourage the IGAs establishment that leads to supporting agricultural productivity hence sustaining the household food security and reduced poverty level.
INTRODUCTION

Malawi is one of the poorest countries in the world with a GNP per capital of US$190 and Human Development Index (HDI) of 0.397 in 1999. According to the National Statistics Office (2000) and World Bank (2001) as reported by Tsoka et al. (2002), 65.3 percent of the population lives below poverty line and a total of 50 percent of the population go without food between 4-6 months before harvest.

In Malawi, it is estimated that 66.5 percent of the rural population live in poverty as compared to 54.9 percent for the urban areas Government of Malawi (GoM) and United Nations (UN) in Malawi, 1993). Poverty in the country is deep, severe and is cased a number of factor. Many of these are constraints on the economic productivity of land, labour and technology employed in utilization of the available resources.

Food security is very dependent on the size of land, available factor of production and a person’s income purchasing power. As such, food insecurity is a serious threat to better life. According to NSO (2000), 55 percent of the rural population in the country had chronic food insecurity.

To achieve food security, the country aims at security adequate food from production stocks and imports in order to meet the national food requirements for the people throughout the year (Ng’ong’ola and Jumbe, 1997). However, the decline in food production per capita, limits the achievement of food security (Nina, 1997). This is due to constraints on land due to increasing population and the decline in labour productivity due to HIV/AIDS.

For the past decades, Malawi has implemented a series of policy interventions through Structural Adjustment Programmes (SAPs) to address structural weaknesses and adjust the economy is agro-based, many of these reforms were focused on the agricultural sector. Although there has been periods of macroeconomics stability, sustainable growth has been very unsatisfactory in poverty reduction and food security.
According to MPRSP (2002), there is need to support the development of the Micro. Small and Medium Scale Enterprises (MSMEs) in order to achieve the poverty reduction and food security in the country. MSMEs in this case, refer to business with less than 50 employees and selling at least 50 percent of their goods and services. MSMEs generally belong to the informal sector in the sense that they are unregulated and unrecorded in the official statistics: they are not recognized, supported or regulated by the government, however, they are a characteristics of developing countries undergoing a transition from the traditional to a modern economy (Mhone, 1992).

According to the Gemini Baseline Study (2002), it was estimated that there are 747,363 MSMEs in Malawi, of which 83% are located in the rural areas. In terms of the sector, 75% of the MSMEs conduct off-farm activities including manufacturing, commerce, trade and services. The study further states that MSMEs contribute 15.6% of the GDP in Malawi and employ over 1.7 million people constituting 38% of the total labour force.

The growth of the informal sector could greatly contribute to the achievement of poverty reduction and food security. This is so, because there are more people engaging in MSMEs in the country. There is evidence by the growing number of institutions that are supporting the MSMEs through training and credit facilities. The government too has increased its efforts to encourage the growth of the MSMEs. The private sector has continued to play an important role to stimulate the growth of the MSMEs. Such organizations and institutions include Malawi Union of Savings and Credit Cooperation (MUSCCO), Malawi Rural Finance Company (MRFC), National Association of Business Women (NABW), Small Enterprises Development Organization of Malawi (SEDOM) and other.

**JUSTIFICATION**

Most of the previous studies have focused on the formal sector activities in terms of understanding poverty reduction and food security in the country. As such, little has been understood on the scope and contribution of the informal sector in poverty reduction and
food security. Hence, it would be important that a study be conducted with the aim of understanding the role of the informal sector in poverty reduction and food security in the country.

OBJECTIVES

Underlying objective
The main objective of the study was to assess the role of the informal sector in poverty reduction and food security.

Specific objectives
The specific objectives of the study are as follows:
To assess the contribution that small-scale enterprises make to household’s food security and poverty reduction.
To examine the main source of capital and to document the kinds of businesses run by men and women.
To assess the structure of the expenditure of income from the small-scale entrepreneurs.
To determine the constraints and opportunities for entrepreneurs in this sub-sector.
To make recommendations on the viability and sustainability of the development of the informal sector.

Hypotheses
Entrepreneurs do not benefit from the informal sector.
The main sources of capital, income expenditure and the kind of businesses run by men and women do not affect the small-scale enterprises.
There are no problems associated with the running of businesses in Malawi.

LITERATURE REVIEW

Rural development policies often neglect the role of the rural non-farm activities and their links with agriculture. This might be because the role of the rural non-farm sector is
the least understood component of the rural economy; its role in the broader development
process is not known (Lanjouw and Lanjouw, 1997)

Given that over 80 percent of the population and the majority of the poor are based in
rural areas, promotion of employment and other income generating activities in the rural
areas is crucial to alleviating poverty. What is urgently needed is identification and
promotion of economic activities that offer the greatest potential for employment and
income-generation at grassroots level? (Kimenye, 1995).

A study by Rotberg (1994) indicates that the government rules and harassment of the
informal sector activities limit the micro enterprises that employ and serve the poor.
Removal of government interventions puts the poor workers, consumers, and the low-
income and small-scale firms on a more competitive footing with larger and richer
counterparts.

A recent study of low-income urban households by the Centre For Social Research
confirms that the informal sector is vibrant and growing rapidly, and a majority of the
urban poor depend on it as a source of livelihood. Involvement in this sector does not
exclude participation in the formal wage employment. In urban areas, the female labour
force participation in the informal market is growing as women from poor household
squatters and traditional housing areas increasingly enter into micro and small enterprises
to support family survival.

The diversification of rural economics from farm to non-farm activities is one of the most
pervasive and far-reaching features of contemporary least development countries. As
rural economies become increasingly diverse, farm/non-farm linkage take new forms,
with impact felt increasingly in small and intermediate cities emerging in traditionally
agricultural areas instead traditional urban centers (Reardon, Delgado and Malton, 1992).

Biswajit and Mahajan (1989) indicated that the interest in promoting small business and
micro-enterprise development as a strategy for poverty alleviation has come from two
apparently opposing ideological streams for bringing about development in the third world countries. One stream concerned primarily with issues of growth, that funds the model of industrial development based on large industry not only has in terms of both output and employment. This has attracted the interest of international institutions such as the World Bank and public sector promotional and financial institutions towards the field of small business and micro-enterprise development.

According to the Malawi Poverty Reduction Strategy Paper (2002), sustainable poverty reduction through empowerment of the poor. As such, the Malawi Poverty Reduction Strategy Paper (MPRSP) recognizes the four pillars in poverty reduction; promotion of rapid sustainable pro-poor economic growth and structural transformation, enhanced human capital development, improved quality of life of the most vulnerable and promotion of good governance.

The study by Dijk (1992) stresses that the positive role of small enterprises is one of the strong points of the flexible specialist concept. It rightly emphasizes the importance of horizontal and vertical links among independent firms. These enterprises may be of different sizes, but they do have a large number of backward linkages with suppliers and forward linkages with clients and they co-operate and complete with each other regularly. The flexible speculation in this case, may result from the clustering of small firms and strong inter-firm division of labour. Since the concept ensures the key elements for competitiveness.

According to Dhungana (1993) noted that by increasing the complementarities of the small, Medium and large industries in the process of industrialization, suggests that both the small and large enterprises are equally dependent on each other in many sectors. Yet, the small enterprises are more generally considered to be “dependent” in large ones.

The main objective of government agricultural policy is to ensure adequate food security through increased agricultural production and employment. A broad-based Agricultural Development-Led Industrialization (ADLI) strategy has been formulated that
concentrates on the three priority areas; accelerating growth through the supply of fertilizer, improved seeds and other inputs, expanding small-scale industries to interact with agriculture and increasing exports to pay for the import of capital goods (Woldehama, 1998).

Assistance to films is usually costly, especially for the developing countries, because the rural non-farm enterprises are normally small and geographically dispersed. Direct assistance should focus on system-level opportunities and constraints that open up opportunities for large number of the firms. This kind of highly leveraged intervention requires sub sector analysis to identify locations or enterprises supply inputs or marketing output that can expand the income potential for many small firms, upstream or downstream (Haggblade, 1995).

Female-headed households are especially prone to food insecurity because they typically cultivated smallholdings and are subject to severe labour shortage at critical times of the agricultural year but more especially during the planting and weeding time. In addition to domestic and child rearing responsibilities these women need to seek off-farm employment to meet the food and the demand of planting their own holdings (World Bank, 1990).

Although off-farm income can lead to improved household food situation, the use of income to purchase food depend on who in the households earns and more importantly controls this income. There is evidence that resources controlled by women are more likely to be allocated for increasing the family food intake share than if the same are controlled by men (Braun, 1996).

Carvajal (1989) indicated that workers in the Latin Americas informal sector suffer low wages and little job security, but the fact remains that they do have some of income and employment, which is what distinguishes them, almost as a privileged class, from the ranks of the unemployed. Thus, the goal if turning these micro enterprises into efficient
units and enabling them expand to reduce unemployment, increase household income and strengthen democratic institutions.

The conceptual framework explains the various interrelated issues in broad terms. It indicates that there are more main sources of capital small-scale informal businesses such as inheritance acquisition, informal lending institutions, sale of agro-based products and individual’s own savings. Such capital is useful for business start-up costs or for sustaining an existing business. When, properly managed, small-scale businesses have
the potential to generate surplus revenue or profit, which can have a number of benefits on the entrepreneur and the society. These benefits include ability to purchase agricultural inputs, which are important to boost agricultural production; ability to make some savings, which are useful in meeting emergency and other financial needs; ability to pay for the costs of education and other related costs; ability to meet the costs of household food needs hence achieving food security and generally, the ability to alleviate household poverty by moving out of poverty trap through increased income earnings.

METHODOLOGY

Study area
The research study was conducted in Karonga ADD specifically in Lufita EPA of Chitipa RDP. This area was selected because it provides typical features of the informal sector activities. For instance, it trades in a variety of commodities such as agricultural-based and manufactured products both locally made and imported as a way to secure household food and poverty reduction. The majority of the respondents apart from cultivating crops and raising animals also carry out small-scale enterprises.

Data collection method
This study relied on both the primary and secondary sources of information. For the primary information, a structured and pre-tested questionnaire was administered to the selected respondents found in the area while the secondary information was collected from various libraries and other individuals who were knowledgeable in the sub-sector.

Sampling design
A total of 60 respondents were randomly sampled for interviews in the area. The total number of the entrepreneurs and non-entrepreneurs were obtained independently from the area. Then these two categories were summed up and divided by 60 to find the proportionate samples. This proportion was then multiplied by each category to obtain the specific number of individuals to be interviewed. Cluster sampling (Dividing the population into groups of similar sizes in order to determine sample households to be
interviewed) was used for each category then followed by simple random sampling to obtain various business entrepreneurs and non-business entrepreneurs for data collection.

Data analysis
The data was analyzed using SPSS. Descriptive statistics of means, frequencies and percentages were used. Frequency tables and graphs were presented.

RESULTS AND DISCUSSIONS

Household composition
In order to depict the household characteristics as it relates to the poverty reduction and food security at household level, it is important to understand their nature of set up. As such, the size, sex, age, educational level and main occupation of the members needs to be considered.

Sex of households head
From the sample data, the majority of the respondents in the area were male-headed households accounting for 66.7% and the remaining percentage (33.3%) represented the female-headed households. There was no men are mostly considered household heads more than the women.

On marital status, the majority of the households were married constituting 88.3%, 6.7% windows, 3.3% single and only 1.7% divorced. The marriage system dominated in the area was that of dowry (lobola), such that payments are charged before marrying a woman.

**Age of household heads**

![Graph showing age distribution of household heads](image)

From the graph above, it was observed that the majority of the respondents were aged between 31-40 years representing 48.3%, followed by those aged between 21-30 years (35.0%), 41-50 years (11.7), 61-70 years (3.3%) and finally those aged between 51-60
years. The age of the household head is an essential component because it determines the main decision making unit in a number of household needs and activities.

**Number of household members**

<table>
<thead>
<tr>
<th>H/hold</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three</td>
<td>16</td>
<td>26.7</td>
</tr>
<tr>
<td>Four</td>
<td>19</td>
<td>31.7</td>
</tr>
<tr>
<td>Five</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>Six</td>
<td>8</td>
<td>13.3</td>
</tr>
<tr>
<td>More than six</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Data from study area, August 2004

On the household numbers per roof, the majority of the respondents indicated that they comprised of four members (31.7%) followed by those with three members (26.7%), five members (21.7%), six members (13.3%), and finally those with more than six members (6.7%). Household size is one of the major issues that determine household food security. For instance, larger household sizes translate to the large number of months to feed and with constraints to agricultural production capacities in the area, food supplies becomes limiting. The smaller household size also means that there will be least number of months to feed as such minimal chances of food insecurity. This agrees with the findings by Mkandawire, 1990 who reported that food deficits at the household level tend to be related to the household sizes. The larger the household size the higher thr demand for food and consequently the more likely food will be depleted early.
From the respondents interviewed, it was observed that the majority of the household heads had had gone through Primary School Leaving Certificate of Education (PSLCE) accounting for 60%, 23.3% accounted for Malawi School Certificate of Education (MSCE) and 16.7% had completed the Junior Certificate of Education (JCE) studies. It is the higher education levels of the farmers which determine the degree of understanding and adopting new technologies.

As such the number of the farmers attaining better education levels increases then this puts them in better positions of understanding the scope and welfare of household needs and agricultural production. Such farmers also stand better opportunities of being innovative in their farming activities in order to increase agricultural production. Hence, there is also a higher probability that they can see opportunities of establishing the IGAs.
Main occupation of household head before joining business

<table>
<thead>
<tr>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housewife</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>In school</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Civil servant</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>Worked for an entrepreneur</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Personal businesses</td>
<td>23</td>
<td>38.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Data from study area, August 2004.

The above table indicates that the main occupation of the respondents before they joined business. It was discovered that a larger number of the respondents (38.3%) operated personal businesses. Such businesses included selling of firewood, brewing beer, fish selling, maize selling, selling groceries and other small products from their production. 21.7% of the respondents worked as housewives, 8.3% worked in school, 6.7% worked as civil servants, and only 1.7% represented those worked for entrepreneurs.

The main occupation of the respondents in the area determined the nature, type and size of small-scale enterprises that were run. For instance, those who owned businesses before indicated that they were more effective and had bigger businesses.

**Household for security**

**Household primary source of food**

This is another essential component in the household food security and poverty reduction mechanisms such that any household that fails to produce or buy enough food for its members may be regarded to be food insecure. Below are the illustrations that were considered to measure the household food security levels.
Under this, it was observed that almost 86.7% of the households depended on their relatives or friends. This implies that the majority of the households were farmers and depended on their production. For instance, the main staple food, maize indicated that the majority of respondents produced 500-1000kg/ha (38.3%), 1000-1500kg/ha (25%), <500kgs/ha (20%) and finally >2000kgs/ha (16.7%).

Based on problems of food shortage before the next harvest, the government of Malawi indicates the following guidelines on maize as staple food; where maize is eaten as ufa woyera, they should keep 3 bags of 90 kgs (270kg) per person per year (Assuming an extraction rate of 60%) while if maize is eaten as mgaiwa, they should keep 2 bags of 90 kgs (180kg) per person per year. This then means that if the household has an average number of 4-6 members, it will require (1080-1620) kg of Ufa woyera or (720-1080) kg of mgaiwa respectively. If can then be concluded that the households that deviated above an average of 4-6 members did not produce enough food to feed its members adequately.
### Land holding size

<table>
<thead>
<tr>
<th>Land holding size</th>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>4</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>1-2 acres</td>
<td>28</td>
<td>46.7</td>
<td></td>
</tr>
<tr>
<td>2-3 acres</td>
<td>14</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>&gt;4 acres</td>
<td>14</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data from study area, August 2004

From the table, it was observed that 46.7% households had almost 1-2 acres of land, 23.3% of the households possessed 2-3 and >4 acres of land and 6.7% had no agricultural land. On the available land, most of the people indicated that they were growing crops like maize, groundnuts, cassava, sweet potatoes, beans vegetables, tobacco and soybeans. They were also raising livestock such as cattle, goats, sheep rabbits, chicken and ducks.

Focused group discussions conducted indicated that overall production in the area was mostly dominated by crops and animal diversification. This was regarded important because of the following reasons;

- Reduce risk of total crop failure. For instance, if maize production were poor cassava could be an alternative crop.
- Assured of yield improvements. This could be through crop rotation or intercropping
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- Assured of yield improvements. This could be through crop rotation or intercropping
- Increase household’s food base. This could be through growing a number of different crops on the particular piece of land.
- Increase household income source. Realised from a variety of crops and livestock production
Provision of high quality manure which was used to improve crop production. Livestock products supplemented with proteins of highest biological value.

It can also be argued that through crop and animal diversification may be perceived essential, the area lacks proper implementation of such technologies to fully maximize their overall production potentials.

**Fertilizer use in 2003/04 growing season**

<table>
<thead>
<tr>
<th>Fertilizer application over last growing season</th>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>52</td>
<td>86.7</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data from study area, August 2004

From the graph above, it was observed that almost 86.6% of the respondents applied fertilizer during the growing season while the remaining percentage did not. This is a clear reflection that while we may assume that most of the farmers access fertilizers but there are some who are unable to access it. In the study area, 61.7% farmers indicated that their production was normally adequate to supply food up to the next growing season while 38.3% of them had food shortages before that time.

Food shortages were mainly experienced in the months of February, October and December. Survival mechanisms during such periods depended on the farmers’ resourcefulness because indulged in ganyu, obtained the credits, went deeper in debts and others from the relatives or friends or well wishers.
**Constraints to agricultural production**

Another focused group discussion was conducted in order to determine problems faced with agricultural production levels that limited their output potentials. These problems captured their economic, social, physical and access to other requirements vital to their production activities.

The following were some of the problems:

High prices to farm inputs. The farmers face problems with the exorbitant prices for the inputs. Their earning and production levels are far from their expectations to meet such costs.

Lack of credits institutions. Such institutions that are aimed at supporting with the credits, input packages and extension services. Existence of the credit institutions in the area could highly improve and develop their production levels.

Transportation costs. This is regarded a problem especially considering distances from the production sites in relation to the marketing places. Also considered a constraint in terms of farm input access to the agricultural trading centers. As such high production costs are considering overall the returns.

Price fluctuations. There are abnormal price changes at the marketing centers such that products are offered at very low prices. This is big drawback to production potentials to most farmers in the area.

Labour problems. This becomes a challenge especially during peak periods of production season. For instance, during weeding, fertilizer application and harvesting times labour requirement becomes very critical.

Access to breeding livestock. In the area, the farmers face problems with places where they can source the high breeding livestock to boost their production.
Sources of capital

In order to understand the sustainability of household food supplies and poverty reduction levels, the respondents indicated various ways in which they acquire their income. From the study area, 42 respondents (70.0%) were involved in the IGAs as well as farming activities whereas 18 respondents (30.0%) were mere farmers producing food crops and animals for supporting their household needs.

Principle source of capital for starting business

From the graph above, it was observed that 30.0% of the respondents obtained capital from their own savings from agriculture, 25.0% from own savings from non agriculture, 15.0% given free from friends or relatives, 10.0% from the formal credit institutions, 8.3% loan from family or friends, 5.0% from the money lenders, 3.3% inherited their parents businesses, 1.7% from the micro credit lenders and the other 1.7% sourced from various job opportunities around the area.
Sources from the formal credit institutions were mainly the Malawi Rural Finance Company (MRFC), which constituted almost 44.4% and the rest obtained from Finance Trust for Self Employed (FIFSE). This is a clear reflection that the area lacks support organizations to empower the small-scale enterprise establishment and development.

Registration with business association in the community

Do you belong to any registered business association

Most of the respondents comprising 82.1% did not belong to any registered business association in their locality while only 17.9% belonged to the registered associations. This could clearly be one of the indications that there is not much intensification on the importance of the business association. As such this may be directly linked to the inadequate numbers of supporting institutions in the area. The respondents who belonged to the associations expressed the importance of such organizations in the following ways;
Ease opportunities for obtaining loans. As an association there are high chances that loan providers recognize the group to be more efficient. For example, it is easier to recover the loans from the group than an individual.

Enhances sharing on business issues hence it acts as a learning places from one another’s experiences. As such group dynamics is highly intensified for capacity building.

Enhances opportunities for being supported by the relevant support programmes targeting the MSMEs. This could be through provision of business trainings and proper management.

**Primary and secondary sources of income**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Primary Source</th>
<th>Secondary Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Off-farm employment</td>
<td>9</td>
<td>15.0</td>
</tr>
<tr>
<td>Husband’s income</td>
<td>9</td>
<td>15.0</td>
</tr>
<tr>
<td>Crop sales</td>
<td>16</td>
<td>26.7</td>
</tr>
<tr>
<td>Livestock sales</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Micro enterprises</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Others (specify)</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Data from study area, August 2004

From the interviewed respondent it was observed that micro enterprise, crop sales, husband’s income and off-farm employment are the major primary sources of income accounting for 33.3%, 26.7% and 15.0% in that order. On the other hand, crop sales, livestock sales, and support from the existing agricultural intervention programmes like World Vision International and Oxfam accounted for the secondary sources. Hence, this
implies that the area depended on agricultural based sources for their livelihood supplemented by the income generating activities.

**Reasons for operating the income generating activities**

The respondents indicated several opinions as to why they were engaged in the IGAs activities. Such opinions included the following;

Most of respondents indicated that they operated the IGAs as a way to obtain income which could support their household needs and purchasing of farm inputs.

Others operated IGAs in order to spread the risks of resource earning. For example, if production was not very good then the IGAs could be their alternative. However, other respondents indicated that they had wanted to see an opportunity in the IGAs.

**Constraints to the igas operation in the area**

Despite several benefits of operating the IGAs, a number of constraints to the expansion of this sub sector were reported. Some of the problems raised during the group discussions that consistently affected them were; Seasonality of businesses. The majority of the existing IGAs in the area were seasonal in nature as such this reflected unpredictability of businesses operation especially if the commodities were not available or in season.

Lack of business skills. Most of the entrepreneurs in the area operated their business because they accessed resources to start up such businesses. But a number of them did not survive for long periods as result of lack of knowledge and proper training skills.

Lack of access to loans. The area is unable to access funds from the support agencies interested in promoting development of the IGAs. As a result most of the businesses are of low operating capital base.
Lack of business information. As entrepreneurs, they need information that directly promotes or affects the nature of such businesses. For instance, Inflation, exchange rates, Business taxations and interest rates.

Lack of business utilities like water, electricity. The area requires such facilities because they directly or indirectly affect the operation of businesses. For example, electricity determines stocking of perishable products like fresh fish, meat and fresh milk.

CONCLUSION

From the discussion, it can be concluded that the majority of the respondents in the area are farmers such that agriculture is regarded as backbone to their livelihood. It also plays a major role in the development and establishment of the IGAs. This was evidenced by most of the businesses earning start up capital from agricultural production. It was also found that the majority of the businesses are seasonal in nature.

It was observed that the area lacked support agencies that are important to the growth and development of the MSMEs through trainings, savings and credits facilities. For instance, the entire EPA only had Malawi Rural Finance Company (MRFC) and Finance Trust for Self Employed (FITSE). The two institutions are not meeting the growth demand for credit in the area.

All in all, the existence of the small scale businesses could potentially improve the food security base and result into reduced poverty levels in the area. This was revealed by the majority of respondents operating IGAs that businesses significantly contributed to the declining food shortages periods

RECOMMENDATIONS

The following recommendations could be drawn from the study.
The stakeholders and other support institutions need to encourage and promote the IGAs establishment in the area that leads to supporting agricultural productivity hence sustaining the household food security and reduced poverty levels.

There is need to establish income-enhancing activities such as credit facilities from various non-governmental organizations (NGOs) and other interested parties. The institutions could greatly enhance improvement of agricultural production and development of IGAs.

The Government should be able to design policies that lead to empowerment of rural economy development through IGAs.

ACKNOWLEDGEMENT

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APPENDIX: Questionnaire

University of Malawi
Bunda College of Agriculture

Questionnaire No.___________

THE ROLE OF THE INFORMAL SECTOR IN POVERTY REDUCTION AND
FOODSECURITY IN MALAWI. (The case study of Lufita EPA-Chitipa RDP)

By
Aston Mulwafu

A. HOUSEHOLD IDENTIFICATION

Name of
Interviewer:........................................................................................................

Name of
Respondent:....................................................................................................

Date of
Interview:...........................................................................................................

Village:........................................................T/A:..............................................District...........

........
ADD.................................................................

B. HOUSEHOLD COMPOSITION

1. Sex of household head?
1. [ ] Male 2 [ ] Female

2. Marital status
1 [ ] Married  2 [ ] Single  3 [ ] Widow
4 [ ] Divorced  5 [ ] Separated

3. Complete table 1 below:

<table>
<thead>
<tr>
<th>Name of Household Member</th>
<th>Sex: 1=male 2=Female</th>
<th>Age (Years)</th>
<th>Main Occupation CODE 1</th>
<th>Education Level CODE 2</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**CODE 1**
1=Agriculture  
2=Household work  
3=Builder  
4=Fishing  
5=Laborer  
6=Government Employee  
7=Private Sector Employee  
8=Student  
9=Potter  
10=Small Trader

**CODE 2**
1=None  
2=PSLCE  
3=JCE  
4=MSCE  
5=University Diploma  
6=University Degree
4. **Age of the household respondents**

1 [ ] Below 21 years  
2 [ ] 21-30 years  
3 [ ] 31-40 years  
4 [ ] 41-50 years  
5 [ ] 51-60 years  
6 [ ] 61-70 years  
7 [ ] Above 70 years

**C. EDUCATION LEVEL**

1. **What level of education did you last attain?**

1 [ ] None  
2 [ ] Primary  
3 [ ] Junior Certificate of Education  
4 [ ] Malawi School Certificate of Education  
5 [ ] Technical  
6 [ ] University  

2. **What was your initial occupation before you joined business?**

1 [ ] Unemployed  
2 [ ] Housewife  
3 [ ] In school  
4 [ ] Civil Servant  
5 [ ] Worked for an entrepreneur  
6 [ ] Others (specify)

3. **Did you attend any training job outside your formal schooling?**

1 [ ] Free training from friends or family members  
2 [ ] Apprenticeship payments  
3 [ ] Training programme  
4 [ ] Technical programme  
5 [ ] Others (specify)

4. **How useful is your training to your income generating activities?**

1 [ ] Very useful  
2 [ ] somewhat useful  
3 [ ] Not very useful
D. FOOD SECURITY

5. What is your primary source of food in your household?
1 [ ] Own production
2 [ ] From relatives or friends
3 [ ] Buy from markets
4 [ ] Others (specify)

6. How much is your agricultural land?
1 [ ] No land 2 [ ] 1-2 acres
3 [ ] 203 acres 4 [ ] >4 acres

7. What crop(s) are you growing on your land

____________________________________________________________

8. Did you apply fertilizer in the last growing season
1 [ ] Yes 2 [ ] No (if No, why not?)

9. Is your production normally adequate enough to supply food up to next season?
1 [ ] Yes 2 [ ] No

10. If no, which month(s) do you usually run short of food from your own production? (Table 2.)

<table>
<thead>
<tr>
<th>Season</th>
<th>Month(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

11. Did you buy any food to supplement over the last season shortage?
1 [ ] Yes 2 [ ] No

12. If No, why not?
1 [ ] High prices 2 [ ] Inadequate supply 3 [ ] Others (explain)
13. Do you use income generated to buy food?
1 [ ] Yes  2 [ ] No

14. How often do you utilize the income from the generating activities to buy food?
1 [ ] Frequently  2 [ ] Very frequently  3 [ ] Not frequently

15. If your harvest was not adequate, how did you survive?
1 [ ] Borrow money
2 [ ] Gift from friends
3 [ ] Sell household items
4 [ ] Reduce household meals
5 [ ] Share with other household

16. What problems do you face with your agricultural production?

E. CREDIT SOURCES

17. What was your principal source of capital to start business?
1 [ ] Given free from friends or family
2 [ ] Loan from family or friends
3 [ ] Money lenders (Katapila)
4 [ ] Own savings from agriculture
5 [ ] Own savings from non agriculture
6 [ ] Inherited business
7 [ ] Formal credit institutions
8 [ ] Micro credit lenders (NGOs)
9 [ ] Others (specify)

18. Refer Q17, did you obtain capital from the formal institution?
1 [ ] MRFC  2 [ ] SEDOM  3 [ ] DEMAT
4 [ ] Indefund 5 [ ] Bank 6 [ ] Other (Explain)

19. Refer Q17, did you obtain capital from the micro credit program?
1 [ ] MRFC 2 [ ] MUSCO/ Sacco 3 [ ] FINCA
4 [ ] NGO Programme 5 [ ] NABW 6 [ ] Others (specify)

20. Do you belong to any registered business association in your community?
1 [ ] Yes 2 [ ] No

21. If yes, why did you decide to join the business association?

_________________________________________________________________

F. INCOME SOURCE

22. Do you have any income generating activities?
1 [ ] Yes 2 [ ] If, No, ask if had business previously)

23. If yes, what are your primary and secondary sources of income? (Table 3)

<table>
<thead>
<tr>
<th>Sources of income</th>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Off-farm employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Husband’s income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Crop sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Livestock sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Micro enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Remittances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Others (specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24. How many income generating activities do you have? (Refer to Q18)
1 [ ] One 2 [ ] Two
3 [ ] More than two 4 [ ] Others (specify)
25. What is the primary aim of running more than one income generating activities?
1 [ ] Additional money (household needs)
2 [ ] Additional money (household outside support)
3 [ ] Expand your income generating activities
4 [ ] See an opportunity
5 [ ] Risk spreading
6 [ ] Others (Explain)

26. For how long have you been running this (these) income generating activities?
____________________________________________________________

27. What is the main reason for choosing this (these) type of business?
1 [ ] Options not available
2 [ ] Employment not available
3 [ ] Saw others doing it
4 [ ] Saw an opportunity
5 [ ] Trained for this activity
6 [ ] Capital availability
7 [ ] Others (explain)

28. Who owns the business (proprietorship)?
1 [ ] Male
2 [ ] Female
3 [ ] More than one male
4 [ ] More than one female
5 [ ] Wife and husband
6 [ ] Mixed gender

29. How do you use the income generated?
_________________________________________________________________
30. If you consider all your sources of income for your household (including farming, employed and any other income), how much of your income come from your business?

1 [ ] All or almost all of income
2 [ ] More than half of income
3 [ ] Less than half of income
4 [ ] About half of income
5 [ ] Don’t know
6 [ ] Not applicable

31. In your own opinion, do you think the income generating activities contribute to your household food security?

_________________________________________________________________

32. What problems do you face operating your business (s)?

_________________________________________________________________

How do these problems affect your food security situation?

_________________________________________________________________