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ASSESSING THE IMPACT OF REGIME CHANGES ON MEDF LOAN DISBURSEMENT POLICIES. A CASE STUDY OF MADISI VILLAGE.

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ABSTRACT

The Malawi Enterprise Development Fund (MEDF) plays a crucial role in promoting entrepreneurship and improving the livelihoods of citizens. The fund provides loans to small and medium-sized enterprises (SMEs), aiming to boost economic development. However, the policies governing loan disbursement are significantly influenced by regime changes within the government. This study focusses assessing the impact of regime changes on MEDF loan disbursement policies at Madisi village in Dowa district, Malawi, so this study l will use qualitative as a method of collecting data like focus group discussion, interviews with target group of men, women, and youth age from 18-75 at Madisi village. Recommendation MEDF loan helps to contribute to the country's economic development, and to entrench the entrepreneurial spirit in youth, women, persons with disabilities and other groups that have the potential to socio-economic growth.

INTRODUCTION

The Impact of Regime Changes on the Malawi Enterprise development Fund (MEDF) In Malawi, the Malawi Enterprise Development Fund (MEDF) plays a crucial role in promoting entrepreneurship and improving the livelihoods of citizens. The fund provides loans to small and medium-sized enterprises (SMEs), aiming to boost economic development. However, the policies governing loan disbursement are significantly influenced by regime changes within the government. This essay explores how shifts in leadership affect the MEDF and its loan policies, particularly in recent years. Regime changes often lead to shifts in political

priorities, which can impact funding and the policy direction of institutions like the MEDF. When a new government assumes power, it may introduce policies aligned with its ideological beliefs—policies that can either enhance or hinder the loan disbursement process (Rodrigo Bandeira de Mello & Elias Pereira Lopes Júnior & Marcelo Bucheli, 2024).
This study examines how changes in governance have influenced MEDF loan disbursement policies and the broader implications for economic empowerment in the Madisi village**.**

KEYWORDS: Assessing, impact, regime, loan, disbursement and policy.

RESEARCH OBJECTIVE

Main Objective

To assess the impact of regime changes on MEDF loan disbursement policies in Malawi, specifically focusing on Madisi village.

Specific Objective

1. To assess the impact of transitions between political administrations on the disbursement policies.
2. To identify the factors contributing to the regime changes on loan disbursement policies
3. To assess the criteria and ultimate effectiveness of these empowerment loan

LITERATURE REVIEW

Introduction

MEDF loan disbursement policies involve a multi-step process designed to empower Malawians economically, particularly smallholder farmers and entrepreneurs which involves the following: loan application whereby clients register their loan applications with required documents. Assessment as the duty of loan officer and area supervisors assess client eligibility, conduct business and home assessments, and verify information. Approval of the loans which is done by the risk and compliance committee reviews applications, makes decisions, and communicates outcomes to clients, and also disbursement, once approved, clients sign loan agreements, deposit fees, and receive loan funds (Zhigang Yao & Yao Liu, 2023).

Definition of Terms

Loan

A loan is a sum of money that is borrowed and is expected to be repaid with interest over a specified period. Loans are a critical component of the financial system, enabling individuals and businesses to access funding for various needs. Understanding loans is essential for managing personal finances and making informed borrowing decisions (Syed Far Abid Hossain, Tamanna Siddiqua Ratna, Tanzin Akhter & Adnan Chowdhury, 2024).

Policy

Policy refers to a deliberate course or principle of action adopted or proposed by a government, organization, business, or individual. Policies serve as frameworks that establish boundaries and define acceptable behavior, offering clarity in situations where ambiguity might otherwise lead to inefficiency or conflict (Kristof De Witte & Anna Mergoni, 2022).

MEDF Policies

Malawi Enterprise Development Fund (MEDF) policies represent a critical set of governmental strategies aimed at fostering inclusive economic growth, reducing inequality, and ensuring that the benefits of national prosperity are distributed more equitably across the population. Some of the MEDF policies are: loan products policy, credit approval authority's policy, general credit evaluation guidelines policy, loan terms and conditions policy, delinquency management policy, recovery policy, refinancing policy, restructuring of loans policy, asset classification policy, write off policy. The core objective of MEDF policies extends beyond mere wealth redistribution. They are designed to build sustainable capacity, stimulate entrepreneurship, and integrate disadvantaged groups into the formal economy, thereby reinforcing the national economic structure. By targeting systemic barriers and promoting financial inclusion, MEDF initiatives contribute to long-term development and resilience (Prerna Kumar, Nitin Datta, Aditi Vyas & Amenla Nuken, 2021).

Loan Disbursement

Loan disbursement is a critical process in the financial sector, involving the transfer of funds from a lender to a borrower. This procedure is essential for individuals and businesses seeking financial support for various purposes, including purchasing property, launching business ventures, or covering educational expenses. A clear understanding of loan disbursement enables borrowers to make informed decisions regarding financial obligations and repayment strategies (Joseph Crawford, 2023)\

Empirical Evidence

Objectives of Malawi Enterprise Development Fund

Economic upliftment

The most salient objective of the Malawi Enterprise Development Fund is the promotion of broad based economic participation, primarily targeting youth, women, and small and medium scale enterprises (SMEs) (Gaiku, P., Wanjiru, N. B., & Letsolo, I. G., 2022).

Enhancing access to affordable credit

To ensure that financial resources reach those who need them most without imposing prohibit ive costs. The MEDF is designed to operate with concessionary interest rates compared to the prevailing market rates. For instance, targeted programs within the fund often focus on low i nterest financing for agribusinesses that contribute directly to national food security (Diana Dushkova & Olga Ivlieva, 2024).

Fostering entrepreneurship and job creation

Malawi faces a significant challenge with high youth unemployment. The MEDF acts as an i ncubator by providing seed capital and, ideally, related business development support service s (Gonca Gungor Goksu & Alper Goksu, 2015).

Supporting Value Addition in Key Sectors

The fund is strategically aligned to support value addition rather than merely primary commo dity production. In agriculture, this means channeling resources towards small processing uni ts for tobacco, groundnuts, or maize, rather than just financing the cultivation of raw material s. By prioritizing enterprises that process local inputs domestically, the MEDF aims to increa se the value retained within the Malawian economy, thereby improving trade balances and na tional income multipliers. This objective directly supports the nation's long term industrializat ion agenda (Ning Zhu & Aleksandra Gawel & Timo Toikko, 2025).

Promoting Inclusivity and Reducing Inequality

Ensuring that historically marginalized groups, particularly women, are empowered economi cally. Gender sensitive financing windows are often central to the fund's design, recognizing t hat empowering women often leads to better household welfare outcomes, including improve d education and health for children. By specifically targeting women led enterprises, the fund aims to systematically reduce the income gap and foster a more equitable distribution of econ omic benefits across the population (Nancy Mulauzi & Lakshmi Gopalakrishnan & Amy A Conroy & Fred M Ssewamala & James Mkandawire & Scott Tebbetts & Torsten B Neilands, 2025).

To identify the Factors contributing to the regime changes on loan disbursement policies.

Macroeconomic and Political Influences on Loan Disbursement Policies

One of the most significant catalysts for altering loan disbursement policies is the state of the macro economy. During periods of economic expansion, lending standards often become more relaxed as financial institutions grow increasingly optimistic about borrowers' repayment capacities, resulting in rapid credit growth. However, when such expansion becomes unsustainable characterized by asset bubbles or excessive leverage—policymakers are frequently compelled to intervene. For example, following the 2008 global financial crisis, many countries implemented stricter lending criteria, raised capital requirements, and imposed tighter loan-to-value ratios. This systemic shock prompted a shift from liberal, risk-tolerant lending practices to more cautious and heavily regulated disbursement frameworks (Olena Cherniavska & Nadiia Davydenko & Svitlana Boiko & Maryna Nehrey, 2023)

Conversely, during severe economic downturns, governments may adopt expansionary lending policies, directing financial institutions to extend credit to sectors deemed vital for economic recovery, such as small and medium enterprises (SMEs) or infrastructure development. These measures may contradict previously conservative lending policies but are often necessary to stimulate growth (Syrus M Islam & Ahsan Habib, 2022)

Political ideology and governmental stability also play a pivotal role in shaping loan disbursement strategies. The philosophical orientation of a ruling administration significantly influences its stance on state-directed credit. Left-leaning or populist governments typically advocate for policies that emphasize social equity and targeted financial support, resulting in initiatives such as subsidized loans, loan forgiveness programs, or credit allocation to marginalized communities and politically prioritized industries. In contrast, administrations favoring free-market principles often pursue deregulation, allowing market forces to dictate credit pricing and distribution, thereby dismantling state-imposed lending quotas (Yun Bai & Jia Xu & Chun Jin, 2024).

Moreover, political instability or perceived corruption can trigger substantial policy shifts. When public confidence in the financial system deteriorates due to favoritism or cronyism in loan allocation, new regimes often introduce sweeping reforms aimed at enhancing transparency and meritocracy. These reforms may include the establishment of independent oversight bodies or the implementation of revised application frameworks to restore trust and accountability in loan disbursement processes (Jia Xu, Yun Bai, & Chun Jin, 2024).

To understand the impact of regime changes on loans for agricultural productivity or business growth.

Regime changes whether resulting from democratic elections, military coups, or constitutional crises represent significant shifts in a nation's political landscape. These transitions ripple through the economic structure, affecting fiscal policy, regulatory frameworks, and institutional trust. Among the sectors most sensitive to political instability are agriculture and small to medium enterprises (SMEs), both of which rely heavily on consistent access to credit for investment and growth (Hala Ghattas & Ghassan Baliki & Berthe Abi Zeid & Tilman Brück & Melodie Al Daccache & Leila Hojeij, 2024).

The most immediate and pervasive effect of a regime change on lending is heightened uncertainty. Banks and financial institutions, both domestic and international, operate on risk assessment. A sudden shift in government introduces ambiguity regarding future policies on taxation, subsidies, land tenure, and currency stability. For agricultural loans—typically long-term and tied to seasonal cycles this uncertainty is particularly damaging. If a new regime signals potential shifts in land reform or threatens price controls on staple crops, lenders become cautious about extending credit against agricultural assets or future harvests (Seri Puteri Balqis Binti Hasib, 2024)

Similarly, business growth loans depend on predictable market access and contract enforcement. A change in administration might invalidate existing public procurement contracts or alter trade agreements, making it riskier for banks to finance expansion plans. This risk aversion often translates into tighter lending standards, higher interest rates, or a reduction in loan volumes (Sadik Aden Dirir & Kadir Aden, 2024).

Regime changes also disrupt institutional frameworks that underpin the financial system. State-owned banks, which frequently serve as primary conduits for agricultural finance, may face sudden leadership changes, political interference, or mandates to align lending practices with the new government's priorities rather than commercial viability. In countries where political patronage influences lending decisions, a new regime might halt funding to businesses associated with the previous administration, regardless of their economic health. Conversely, politically aligned businesses may gain preferential access to subsidized credit, creating an uneven playing field that hampers genuine productivity among independent operators (Alison V. & John J. & Jacklyn A. 2023).

The impact is strongly mediated by the nature of the regime change. A transition toward a more market-oriented, stable democracy often signals greater respect for property rights and contract law. If the new regime prioritizes foreign investment or private sector growth, long-term positive impacts on lending may follow. Improvements such as better collateral registries and stronger commercial courts lower the risk profile for lenders, encouraging more credit for business expansion. In agriculture, pro-market reforms may remove distorting subsidies, encouraging efficiency and making farming enterprises more creditworthy (Omer S. Combary, 2022).

Recent examples in emerging economies show that commitments to fiscal discipline under technocratic governments can stabilize exchange rates a crucial factor for businesses importing inputs like fertilizer or machinery (Ebrahim Endris, 2022).

However, transitions toward authoritarianism or highly interventionist states present significant obstacles. Regimes favoring nationalization, centralized planning, or rapid wealth redistribution often view commercial lending with suspicion or use it as a tool of state control. Loans for genuine business growth may be replaced by directed state credit for politically favored projects, stifling competition and innovation. In agriculture, excessive state intervention such as mandatory grain procurement at fixed prices undermines profitability, making farms unattractive collateral for private loans and forcing reliance on inefficient state financing (Andreas Wiedemann, 2022).

Moreover, capital flight and currency instability often accompany political upheaval. If investors lose confidence in the new leadership, they may withdraw capital, leading to a liquidity crunch. Even if central banks wish to support lending, a lack of fuHnds or pressure on the local currency makes it prohibitively expensive to finance operations requiring foreign exchange. This effect paralyzes investment, regardless of the quality of business plans or farm viability (Erika L Crable & Jonathan Purtle & Laurel P Scheinfeld & Gabriela Kattan Khazanov & Briana S Last & Emma E McGinty, 2024).

RESEARCH METHODOLOGY

Introduction

Research methodology encompasses three interconnected components: the research design, the data collection methods, and the data analysis techniques (Chunuram Soren & Ijnrd, 2023).

Research Design and Methodology

Research Design

Research design serves as the overarching strategy or blueprint for the entire study, defining the goals and the structural skeleton. Research design can be understood as the master plan that dictates how the research questions will be answered (Weng Marc Lim, 2024).

Research Methodology

Research methodology encompasses the specific tools, techniques, and procedures employed to collect and analyze data within that design (Shar Abdullah Alamri, 2024). The qualitative approach will be used because the design is cheap, easy and effective to conduct.

Research Setting

Research setting is the physical, social, or experimental context within which research is conducted (Valerie Sheppard 2020). The research data will be collected from Madisi village under Madisi Satellite MEDF office in Dowa district capital city of Lilongwe in Malawi. This study will involve men, women, and youth age ranges from 18 to 75.

Target population

A population is defined as a group of individuals that have one or more common characteristics and those that are of interest to the researcher (Best and Kahn, 2006). The target population for this study will focus on men, women, and youth aged from 18 to 75, to those who get loans from MEDF and those did not have access to get loans from MEDF.

Sampling Technique

Sampling techniques are broadly categorized into two main families: probability sampling and non-probability sampling. The distinction between these two hinges on the element of randomness in the selection process (Samuel J. Stratton, 2023). In this report was using non probability as purposive a hand picking those are interested to speak out.

Sample Size

The sample size represents the numerical quantity of observations or participants selected from a population to represent the characteristics of the entire group under study (Daniël, 2022). A sample size of 15 participants in the village as group of 5 men’s, 5 women, and 5 youth.

Research Instrument

A research instrument is essentially any tool or mechanism specifically designed and employed by a researcher to gather data relevant to the study objectives. It is the apparatus through which observations are made, measurements are quantified, and subjective experiences are translated into analyzable information (Syeda Ayeman Mazhar, 2021).

Research instruments can be broadly categorized based on the type of data they are designed to collect: quantitative or qualitative (Steph L. Courtney & Paul R. Armsworth & Karen S. McNeal & Amanda A. Hyman & Lindsay C. Maudlin, 2022).

The researcher will be collecting data from Madisi village where a letter from school will be presented to Madisi MEDF office to have access of collecting data from the village.

Data Analysis

Data analysis refers to the systematic application of statistical and logical techniques to discover, interpret, and communicate meaningful patterns and insights from data (Cleveland, W.S 2001). This report was using thematic data analysis because of qualitative method of study.

Ethical Considerations

Ethical considerations refer to the guidelines and principles that govern the behavior of individuals and organizations, ensuring that actions align with moral values and societal norms. These considerations encompass a range of factors, including fairness, honesty, integrity, respect for individuals, and the large impact on society (Wright, A.2016).This report all moral values and societal norms have been followed as DMI and MEDF has contributed to my report.

In the village, sampling techniques, sample size as number of participants, research instruments either qualitative or quantitate, pilot study, data analysis, and ethical consideration.

Gender of the respondents and the age range of the respondents. It has also provided information about the findings of the research based on the questions of each specific objectives.

RESEARCH FINDINGS

The research was conducted at Malawi Enterprise Development Fund (MEDF). The research was conducted with 15 respondents, which was 5 were men, 5 were women and another 5 were youth. The findings also shows that most of the respondents are the age range from 18 to 75 years.

The researcher was found that the regime changes often result in new leadership with different priorities and governance styles, directly influencing resources allocation and policy formulation. Policies regarding loan eligibility and disbursement procedures have been frequently revised which was creating uncertainty among prospective borrowers.

The researcher was also found that the regime changes have far reaching effects on various sectors, including economic policies and notably, loan disbursement strategies. This happens due to continue change of parties.

Lastly, the researcher inconsistent policies stemming from leadership changes often lead to confusion and mistrust among potential beneficiaries.

CONCLUSION FROM THE STUDY

The study on impact of regime changes on MEDF loans disbursement policies in Malawi and this affect institutional instability by affecting on name changes, suspensions of loan disbursement and new strategies follow every transition. This reduce effectiveness and that leads to poor due diligence, low repayment, the funds revolving model collapses when loans are treated as grants.

Therefore, considering the main objective of the research which was to find out impact of regime changes on MEDF loan disbursement policies this helps Malawians especially men, women, and youth to adapt any transition of the institution.

Policy Shifts

When a new government comes in, it may change MEDF rules to match its own priorities. For example, one regime may focus on helping farmers, while another may prefer supporting small urban businesses. This can make loan access easier for some groups and harder for others.

Funding Stability

Regime change can affect how much money MEDF has to give out. If the new government supports MEDF strongly, loan disbursement may increase. But if it reduces funding or delays budgets, loan distribution can slow down.

Implementation Consistency

Frequent regime changes can cause inconsistency in how loans are given. Borrowers may face delays, stricter requirements, or sudden changes in eligibility, which can reduce trust in the system.

RECOMMENDATION OF THE STUDY

After analyzing all the data and coming to the conclusion, the researcher therefore recommends that:

The main recommendation is to treat MEDF loans as loans, not gift or political handouts, without structural independence and credit discipline, regime changes will keep causing disbursement policy shocks, low recovery, and fund collapse.

Target productive sectors for impact, and this helps direct loans to agriculture, SMEs, and value chains that generate income and forex, rather than consumption. This improves repayment rates and aligns with goals of food security and enterprise growth.

Improve loan recovery and sustainability, by strictly exclude previous defaulters from new loans until arrears are cleared.

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