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ASSESSING THE IMPACT OF MSILIKALI SACCO LOANS IN SUSTAINING THE ECONOMIC LIVELIHOOD OF ITS MEMBERS: A CASE STUDY OF LILONGWE AIRBASE

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ABSTRACT

Savings and Credit Cooperative Organizations (SACCOs) are critical in promoting financial inclusion and economic empowerment, especially for groups excluded from formal banking. This study assessed the impact of Msilikali SACCO loans on the economic livelihood of Lilongwe Air Base (LAB) personnel in Malawi.

Using a mixed-methods design, data were collected from 35 out of 38 sampled SACCO members through semi-structured interviews. Findings indicate that Msilikali SACCO loans significantly improved income-generating capacity by enabling members to start and expand businesses such as retail shops, poultry farming, and transport ventures. The structured, payroll-deducted repayment system promoted financial discipline and budgeting, leading to improved financial well-being.

However, challenges including delays in loan processing, guarantor requirements, low loan ceilings, and diversion of funds to emergencies limited full benefits. The study recommends streamlining loan processes, aligning loan products with business needs, and enhancing financial education. Overall, Msilikali SACCO plays a vital role in fostering economic resilience and reducing financial vulnerability among military personnel.

KEYWORDS: SACCO, Economic Livelihood, Income Generation, Financial Well-being, Msilikali SACCO, Military Personnel, Malawi.

INTRODUCTION

The central inquiry of this study is whether SACCO loans influence the economic livelihood of military personnel. In this research, economic livelihood is treated as the dependent variable, while Msilikali SACCO loans serve as the independent variable. This focus enables a detailed examination of how access to and usage of SACCO credit affects the income and financial stability of members, specifically Malawi Air Force (MAF) personnel under the Lilongwe Air Base (LAB), Malawi.

Three core dimensions of SACCO loans were examined: income generation, repayment structure, and access challenges. These dimensions were chosen because they directly shape members' financial outcomes and overall well-being. Income generation refers to the extent to which loan capital enables members to invest in business and productive ventures. Repayment structure relates to how payroll deductions affect budgeting and financial discipline among LAB personnel. Access challenges capture the barriers members face, such as delays, guarantor requirements, and limited financial knowledge.

This chapter presents the study's background, purpose, and rationale, forming the basis of the investigation. The background highlights the role of SACCOs in financial inclusion and how public sector workers rely on them due to fixed salaries. Given this context, the problem statement identifies the gap in empirical evidence on how SACCO loans specifically affect military personnel's livelihoods in Malawi.

The general purpose and specific aims of this study are outlined in the objectives. By systematically analyzing the relationship between SACCO loan features and members' economic outcomes, the study seeks to provide practical insights for SACCO management and policymakers. The research questions and scope further define the boundaries of the inquiry, ensuring clarity in data collection and analysis.

The scope of the study delimits its focus to Msilikali SACCO members within LAB, Njewa. Concentrating on this group, allowed the study to consider the unique socio-economic and occupational dynamics of military personnel that may influence loan use and repayment behavior.

Background of the Study

This section covers historical, theoretical, conceptual, and contextual perspectives.

Historical Background

Globally, SACCOs have played a critical role in expanding access to financial services for people with a common bond. Since the early 1900s, SACCOs have been recognized as community-based institutions that promote thrift, provide affordable credit, and support poverty reduction efforts (Cheruiyot, Kimeli, & Ogendo, 2009). In many countries, SACCOs serve as an alternative to commercial banks by offering lower interest rates and member-owned governance structures. Ledgerwood (2013) asserts that access to credit enables low-income earners to invest in productive ventures, manage emergencies, and smooth consumption.

In Sub-Saharan Africa, SACCOs have grown rapidly as instruments for economic empowerment among public workers and rural communities. Countries such as Kenya, Uganda, and Tanzania have documented how SACCO credit supports small businesses, agriculture, and household welfare (Munyanyi & Sikwese, 2020; Chirwa, 2021). Regional studies indicate that SACCOs offer more flexible terms compared to banks, making them attractive to salaried workers (Armendáriz & Morduch, 2010). However, scholars also note challenges such as processing delays, guarantor requirements, and limited financial literacy that affect loan utilization (Rwezaura, 2020)..

In Malawi, SACCOs gained legal recognition and momentum following the enactment of the Financial Cooperatives Act of 2011. The Act provided a regulatory framework that allowed cooperatives to mobilize savings and extend credit outside traditional banking channels (World Bank, 2022). As a result, SACCOs have become increasingly important for civil servants and other formal sector employees who seek credit at reasonable rates. Ledgerwood (2013) notes that credit access is particularly important for Malawian households because it enables investment in income-generating activities and provides a buffer against economic shocks. Despite this growth, empirical evidence on how SACCO loans specifically affect specialized groups such as military personnel remains limited.

Within Malawi's security sector, Msilikali SACCO was established to serve members of the Malawi Defence Force, including the Malawi Air Force. Military personnel often operate under unique conditions such as fixed salaries, frequent deployments, and limited opportunities for side businesses (Chinsinga & Chasukwa, 2018). These conditions make access to affordable credit essential for meeting both personal and family needs. At LAB, members rely on Msilikali SACCO loans to start businesses, pay school fees, and handle emergencies. However, bureaucratic procedures, the need for guarantors, and deployment schedules can create barriers to timely access and effective use of loan funds (Chinsinga & Chasukwa, 2018).

Although existing literature highlights the general benefits of SACCOs for financial inclusion and livelihood improvement, there was a gap in understanding how SACCO loan features specifically influence the economic livelihood of military personnel in Malawi. Most studies focus on teachers, farmers, or general civil servants, with little attention to the occupational realities of the military (Armendáriz & Morduch, 2010; Chirwa, 2021). Given the unique income structure and service demands at LAB, it was important to examine how income generation, repayment structures, and access challenges shape loan outcomes for Msilikali SACCO members. This study therefore aimed to address that gap by assessing the impact of Msilikali SACCO loans on the economic livelihood of Lilongwe Air Base (LAB) personnel in Malawi.

General Objective of the Study

This study assessed the impact of Msilikali SACCO loans on the economic livelihood of Lilongwe Air Base (LAB) personnel in Malawi

Specific Objectives of the Study

1. To examine how Msilikali SACCO loans enhance income-generating capacity among LAB personnel.
2. To evaluate the effect of loan repayment schedules on the financial well-being of loan recipients at LAB.
3. To identify challenges faced by LAB personnel in accessing and utilizing Msilikali SACCO loans.

LITERATURE REVIEW

Theoretical Review

This study is anchored on the Financial Inclusion Theory, which argues that access to affordable and appropriate financial services improves the welfare of low-income households and reduces economic vulnerability (Armendáriz & Morduch, 2010). The theory posits that when individuals, especially public sector workers with fixed salaries, can access credit through institutions like SACCOs, they are better able to invest, smooth consumption, and manage shocks. In the context of Msilikali SACCO, this framework explains how loan services provide LAB personnel with capital that is otherwise unavailable from their monthly pay, thereby creating opportunities for income diversification and financial stability.

The study is also guided by the Sustainable Livelihoods Framework, which views financial resources such as credit as key assets that households use to build resilience and improve living standards (Chambers & Conway, 1992). According to this framework, access to loans enables members to invest in productive activities such as small businesses and agriculture, which in turn strengthen their ability to cope with economic pressures. For military personnel, whose income is fixed and often affected by deployments, SACCO loans act as a livelihood asset that supports business creation, reduces dependence on informal borrowing, and promotes long-term financial security for both the individual and the household.

Studies shows SACCO loans help members invest in small businesses and agriculture, thereby raising household income (Munyanyi & Sikwese, 2020; Chirwa, 2021). Compared to banks, SACCOs offer lower interest rates and flexible terms, making them more accessible to public workers (Armendáriz & Morduch, 2010). Ledgerwood (2013) further asserts that credit enables households to improve living standards and manage emergencies.

On repayment, payroll deduction systems promote discipline and lower default risk (Midgley, 2014). Timely repayment also builds creditworthiness for future borrowing (Ledgerwood, 2013). However, Rwezaura (2020) cautions that rigid schedules can pressure households with unstable incomes. Challenges documented include processing delays, guarantor requirements, low financial literacy, and loan diversion (Chirwa, 2021). For military members, deployments and fixed salaries add complexity (Armendáriz & Morduch, 2010). Chinsinga and Chasukwa (2018) also note that bureaucratic procedures can reduce the effectiveness of SACCO credit.

Together, these two frameworks provide a lens for understanding the relationship between Msilikali SACCO loans and the economic livelihood of LAB members. Financial Inclusion Theory explains the role of SACCOs in expanding access to credit for a group with limited borrowing options, while the Livelihoods Framework highlights how that credit is translated into tangible outcomes such as increased income and improved financial management.

RESEARCH METHODOLOGY

Research Design and Methodology

This study adopted a qualitative research design to gain an in-depth understanding of how Msilikali SACCO loans influence the economic livelihood of personnel at LAB. A qualitative approach was considered most appropriate because the study sought to explore participants' lived experiences, perceptions, and opinions rather than to measure variables numerically. Focusing on narratives and detailed descriptions enabled the researcher to capture the social and financial realities of SACCO members within a military context. This design aligns with Creswell & Poth (2018), who note that qualitative research is effective for examining complex human experiences in natural settings.

The choice of a qualitative design was informed by the nature of the research questions, which centered on how, why, and to what extent SACCO loans affect income generation, financial well-being, and access challenges. Quantitative methods would not adequately capture the personal stories behind loan use, repayment struggles, or decision-making processes. Through interviews and document review, the study was able to uncover contextual factors such as deployment schedules, family responsibilities, and rank differences that shape loan behavior. This approach provided depth and meaning that would have been missed in a purely statistical analysis.

The study was conducted at LAB, Njewa, which serves as a key station for MAF personnel and hosts a significant number of Msilikali SACCO members. The setting was selected because it provided direct access to the target population and reflected the unique conditions under which military personnel live and work. An interpretive orientation was adopted, meaning that the researcher sought to understand the phenomenon from the participants' point of view. Data were collected in a natural environment to ensure authenticity and to minimize disruption to respondents' daily duties.

The qualitative design allowed flexibility during data collection, enabling follow-up questions and probing to clarify participants' responses. This iterative process helped to identify emerging themes and ensure that important issues were not overlooked. To enhance trustworthiness, the study employed strategies such as member checking, where participants reviewed summaries of their interviews, and triangulation, where interview data were compared with SACCO loan records. These measures improved the credibility and reliability of the findings, ensuring that the conclusions accurately reflected the experiences of LAB personnel regarding Msilikali SACCO loans.

Study Population

The study population consisted of all MAF personnel stationed at LAB, Njewa, who were active members of Msilikali SACCO and had previously accessed loan services. A total of 42 individuals met these criteria at the time of the study. These members were selected because they had direct experience with SACCO borrowing and could provide practical insights into how the loans influenced their income, financial management, and overall livelihood.

Given the specific focus of the research, purposive sampling was employed to ensure that only participants with relevant loan experience were included. This approach allowed the researcher to gather in-depth, context-specific information from individuals who understood both the benefits and challenges associated with SACCO credit within a military setting. The target group included personnel across different ranks, service years, and gender, which helped to capture diverse perspectives on loan access and utilization.

Data Collection Methods

Data were collected through semi-structured interviews and document review. The interview guide was designed to explore income generation, repayment experiences, and challenges in accessing loans. A pilot test was conducted with 4 members to refine instruments. All interviews were conducted face-to-face and audio-recorded with consent

Data Analysis & Interpretation

Qualitative data was analysed using thematic analysis. Transcript were coded to identify recurring patterns related to income, financial well-being, and challenges. Themes were then grouped and interpreted in relation to the study objectives. Trustworthiness was ensured through member checking and triangulation of interview data with SACCO records.

Response Rate

The study collected primary data from members of Msilikali SACCO at LAB in Lilongwe city. Data was obtained used structured interviews. 38 members of Msilikali SACCO slated for interviews, with 35 completed responses received, yielding 92.1% response rate, surpassing the minimum require rate of 65% (Garcia, et al., 2023).

Demographic Data of Respondents

Table 4.1: Demographic Information.

Age	**Frequency**	**Percent**	**Accumulated Percent**
<20 years	15	42.8%	42.8%
21-30 years	16	45.7%	88.5%
31-40 years	2	5.7%	94.2%
41-50 years	1	2.9%	97.1%
51>	1	2.9%	100%
Total	**35**	**100%**	
Gender	**Frequency**	**Percent**	**Accumulated Percent**
Male	21	60%	37.5%
Female	14	40%	100%
Total	**35**	**100%**	
Education Level	**Frequency**	**Percent**	**Accumulated Percent**
Secondary Education	**6**	**17.2%**	17.2%
Tertiary Education	**29**	**82.8%**	100%
Total	**35**	**100%**	
Experience	**Frequency**	**Percent**	**Accumulated Percent**
<1	**7**	**20%**	20%
1-3	**10**	**28.6%**	48.6%
4>	**18**	**51.4%**	100%
Total	**35**	**100%**	

The demographic profile of the participants showed that the majority were young adults, with 88.5% aged below 30 years. Males made up 60% of the respondents while females accounted for 40%. In terms of education, 82.8% had attained tertiary-level qualifications. Additionally, 51.4% of the members had been part of Msilikali SACCO for more than four years, indicating substantial exposure to SACCO operations and loan cycles. This composition suggests that the participants were well-positioned to provide informed and reliable accounts of how SACCO loans affected their economic livelihood.

Contribution to Income-Generating Capacity

Loans were mainly invested in retail shops, poultry farming, farm input resale, and transport cooperatives. One respondent stated:

"I expanded my poultry business from 60 to 180 chickens. The income is now reliable."

This confirms that SACCO loans provided capital not available from salaries, consistent with Ledgerwood (2013). Members also reported better cash flow and reduced dependence on informal borrowing.

Loan Repayment and Financial Well-being

Repayments were done through monthly payroll deductions for 12-36 months. Members described the system as predictable. One noted:

"Since the amount is deducted before I get my salary, I plan with what remains."

Most found deductions manageable compared to moneylenders. However, overlapping loans created pressure. This aligns with Chirwa and Kasoka (2021).

Challenges

Key challenges included approval delays, guarantor requirements, and documentation gaps, especially for junior ranks. As one member said:

"The main challenge was getting two guarantors who are also SACCO members. Sometimes they are deployed, so approval takes time."

Loan diversion due to emergencies was also reported:

I planned to use the loan for a shop, but my child got sick and I used part of it for hospital bills."

This supports Munyanyi & Sikwese (2020). Low loan ceilings and deployments further limited utilization, consistent with Armendáriz & Morduch (2010).

Suggestions & Recommendations

The SACCO should simplify its loan application procedures to reduce delays that disproportionately affect junior personnel and those on deployment. The requirement for two guarantors who must also be members often slows approval, especially when potential guarantors are away on duty. Introducing digital application platforms and allowing alternative forms of guarantee, such as collateral or supervisor endorsement, can make the process faster and more flexible. Reducing bureaucratic bottlenecks will ensure that members access funds when they are most needed for business or emergencies.

Current loan ceilings are reported as inadequate for starting or expanding viable businesses. Msilikali SACCO should design tiered loan products that consider rank, years of service, and business plans submitted by applicants. Larger loan amounts for members with proven repayment history and viable projects would enable more meaningful investments in agriculture, retail, and transport. Aligning loan sizes with actual income-generating needs will increase the productive impact of SACCO credit among LAB personnel.

Many members face challenges in separating business capital from household expenses, leading to loan diversion. The SACCO, in collaboration with MAF, should provide regular training on financial literacy, business planning, budgeting, and debt management. Post-disbursement mentorship and peer learning groups can help borrowers track loan use and ensure funds are invested productively. Improved financial knowledge will enhance repayment discipline and the long-term sustainability of businesses started with SACCO loans.

While payroll deductions promote discipline, overlapping loans and fixed salaries create financial strain for some members. The SACCO should introduce flexible repayment options and a loan monitoring system that alerts members before they take on multiple loans. Counseling services can also help borrowers manage competing financial obligations. These measures will protect members' financial well-being while maintaining low default rates and ensuring that SACCO loans continue to support economic resilience.

CONCLUSION

After discussing the results, the study came to the conclusion that Msilikali SACCO loans have made a meaningful contribution to the economic livelihood of personnel at LAB. Providing accessible capital, the loans enabled members to venture into income-generating activities such as retail businesses, poultry farming, and transport services. This reduced their reliance on salary alone and improved household cash flow. The findings confirm that

SACCO credit serves as a vital financial tool for public sector workers with fixed incomes, helping them to invest, meet basic needs, and achieve greater economic stability.

The payroll-based repayment system emerged as a key strength of Msilikali SACCO. Automatic monthly deductions helped members budget effectively, build financial discipline, and avoid high-interest informal borrowing. Most respondents found the repayment structure predictable and manageable. However, challenges such as overlapping loans, low loan ceilings, and limited flexibility during deployment periods indicated that the current loan model does not fully address the unique circumstances of military personnel. These gaps sometimes constrained the full potential of the loans to transform livelihoods.

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