BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

IMPACT OF MICROFINANCE INSTITUTIONS IN INCLUSIVE FINANCING OF SMALL TO MEDIUM BUSINESSES. CASE STUDY OF HARARE CITY.

SUBMITTED BY

TATENDA GRACE MOYO

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April 30, 2018
APPROVAL FORM

The undersigned certify that they have supervised Tatenda Grace Moyo dissertation entitled
Impact of microfinance institutions in inclusive financing of small to medium
businesses(case study of Harare City), submitted in Partial fulfilment of the requirements for
the Bachelor of Accountancy.

………………………………… … …                  …………………………..
SUPERVISOR                                                                DATE

………………………………… … …                  …………………………..
CHAIRPERSON                                                                  DATE
RELEASE FORM

Name of Student: Tatenda Grace Moyo

Dissertation Title: Impact of microfinance institutions in inclusive financing of Small to Medium businesses. A case study of Harare City.

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SIGNED

PERMANENT ADDRESS: 6898 Maponga Road, Unit J, Chitungwiza

DATE: 30 APRIL 2018
DEDICATION
This research is dedicated to my family, for their financial, moral and visionary support upon which I concede that my academic endeavours are a product that owes much to their contributions.
ABSTRACT
This study examined the impact of microfinance institution in inclusive financing of small to medium enterprises in the Harare Central Business District. Studies have been done in Zimbabwe on SMEs and how they are influenced by microfinance services but none had focused on the effects of financial micro finance services on financial inclusion. The specific objectives of the study were to find out the bulk of loans that are approved by MFI to SMEs and to find out if MFIs foster financial inclusion to SMEs and women. A quantitative descriptive design was used to study 7 types of businesses in Harare. Structured questionnaire was used to collect data from a sample of 500 businesses from a list of 3320 was taken as a representative population in the city. The study was on independent and dependent relationship. Microfinance and training contribute positively on SMEs growth. Data was collected using questionnaires and documentary reviews. The research indicated that MFIs have a positive effect on the development and growth of SMEs. Some of the critical positive contributions of MFI included greater access to credit, savings enhancement and provisions of business in financial and management training. The outcome reviewed that most of the respondents who were engaged in micro enterprises were female which proves the financial inclusivity. Recommendations of the study are that clients be trained in financial literacy so as to make informed decisions and also that owners of business should make a proper use of loans that they would have acquired them for and not for other means.
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CHAPTER I

INTRODUCTION

1.0 INTRODUCTION

In this chapter, the researcher will introduce the reader to the topic of the research study of the project clearly highlighting the background study and the main objectives. This chapter also indicates the significance of the study and goes on to further highlight limitations as well as delimitations of the study. It prepares the reader for the phenomenal and conceptual framework of the research study. This is vital as it will act as a guideline to the project.

1.1 Background of the Study

Micro financing, according to Conroy (2003) is the delivery of financial services to poor and low income households with limited access to formal financial institutions. Examples of MFIs services include small loans, savings plans, insurance, payment transfers, and other services that are provided in small increments that low income individuals can afford. These services help families to start and build “micro” enterprises, the very small businesses that are important sources of employment, income, and economic vitality in developing countries. According to REPOA (2006) Micro-finance does not only cover financial services but also non-financial assistance such as training and business advice. MIFOS (2005) noted that based and relying on their traditional skills and entrepreneurial instincts, very poor people, mostly women, obtain small-unsecured loans, usually less than $200, from local MFIs.

Microfinance has many benefits to beneficiaries, it enables clients to protect, diversify and increase their incomes, as well as to accumulate assets, reducing their vulnerability to income and consumption shocks (Robinson, 2002). According to Mosley (2001), MFI are said to be a cheaper way of source of finance to SMEs.
Small and Medium Enterprises (SMEs) also called small and medium-sized businesses (ILO, 1998) are recognised the world over as a sector that contributes to social and economic development. Defining SMEs is not uniform from one country to the other, however, the commonly used yardsticks are total number of employees, total investment and sales turnover in the non-farm economic activities mainly manufacturing, mining, commerce and services sectors. In Zimbabwean SMEs there is no consensus among the state and various organizations of the state as to what constitute an SME, this is worrisome. Government of Zimbabwe (GoZ) (2000) defines a small enterprise as one that employs not more than 50 people and acting as a registered entity, medium enterprises as firms employing between 75 and 100 people. On the other hand, the Zimbabwe Revenue Authority (ZIMRA), has 10-40 and 41 to 74 employees representing small and medium enterprises respectively. The ZIMRA uses its own definition for tax purposes and it defines SMEs in terms of employment, turnover and asset base. The Small Enterprises Development Corporation (SEDCO) (2010:26) defines SMEs as firms that employ’s less than hundred employees and maximum annual sales turnover of US$830 000.

The value of SMEs is apparent in Zimbabwe which has high unemployment rate. The SMEs sectors contribute significantly to employment creation, income generation and stimulation of economic growth in both urban and rural areas. SMEs are regarded as facilitators of economic growth and for enhancing development. Their main benefits are employment creation potential and low capital requirement. According to Gono (2005) the SME sector in Zimbabwe contributes to the national economy in a number of ways inter alia employment creation, national economic development and adding value to the gross domestic product (GDP) of the country. Further, the Reserve Bank of Zimbabwe (RBZ) (2013), reported that the SMEs sector contributed 50% of the Zimbabwean GDP and 60% of the economy. Ncube and Greenan (2004) estimated that there are about 609 SMEs in the manufacturing sector of Harare, the capital of Zimbabwe. Nationally, Machipisa (2008) estimates that there are about 10 000 SMEs in Zimbabwe which controls 65% of the total corporate purchasing power. Face with massive business closures by the large companies due to the economic meltdown in the last two decades, Tsarwe (2014) postulated that the future growth of the Zimbabwean economy will be anchored on the establishment and support of the growth of SMEs. At the policy level, The Zimbabwe Agenda for Sustainable Social and Economic Development (ZIMASSET) launched in 2013 has a thrust to drive socioeconomic
development anchored to a larger extent on the growth of SMEs and beneficiation of local resources.

In spite of the obvious drive to foster economic development of Zimbabwe by promoting SMEs, the sector is faced with a plethora of challenges. In a study by Tinaro (2016) on SMEs at Gazaland, Harare, Zimbabwe it was reported that the major constraints faced include lack of markets, lack of government support, lack of capital for expansion, lack of knowledge on the latest technology, unfair treatment from the local authority, stiff competition from the established enterprises who imports from the neighbouring countries, lack of managerial skills and training, poor markets, lack of financial assistance, access to raw materials and lack of proper infrastructure. According to Muhammad et al., (2012), the major obstacles to the SMEs growth are lack of access to credit, access to formal business and social networks. Hashim et al (2010) noted that the main problems faced by SMEs as lack of knowledge regarding to branding, marketing techniques, customer loyalty and also lack of good contacts with others local and international enterprises.

SMEs are faced with a plethora of challenges chief among them being lack of finance. Financial problem of most SMEs arise due to poor financial management Vis a Vis existence of information asymmetry and bank credit rationing (Chijoriga and Cassimon, 1999). Yet, the availability of credit to SMEs can significantly enhance their economic strength and eventually break the vicious circle of low income – low saving – low investment – low income (Yunus 1984). Literature notes that for many years the formal financial institutions have failed to serve the SMEs in both urban and rural communities (Rweyemamu et al. 2005), more so to previously under privileged community members such as women and youth.

Commercials banks, such BancABC, ZB Bank, FBC and Barclays etc. to mention but a few have long been seen as the fulcrum and powerful catalyst of economic development through mobilization and the provision of credit to profitable. Unfortunately, only until recently have a few commercial banks in Zimbabwe started to offer credit to the rural poor or small business, these finance space has been largely filled by microfinance institutions (MFIs). Commercial banks have stringent lending policies and collateral requirements, cumbersome procedures and perceive SMEs as risky, often lead to exclusion. According to Kuzilwa and Mushi (1997) most commercial banks
regard low income households as too poor to save, and are not personally known to them, they do not keep written accounts or business plans, they usually borrow small sums, while administration and carrying costs are almost as high as for large loans. This further entrenches financial exclusion, entrapping SMEs and poor households in a vicious circle of low income. Unlike commercial banks, Rubambey, (2001) note that the main features of a microfinance institution is that it is a substitute for formal credit, generally requires no collateral, have simple procedures and less documentation, have easy and flexible repayment schemes, provide financial assistance of members of group in case of emergency, underprivileged segments of population are efficiently targeted such as women and youth.

This study therefore seeks to investigate the impact of microfinance service on the growth of SMEs and inclusive financing of women in Zimbabwe with Harare being a case of study. The study will also investigate whether the benefit received from microfinance loans outweigh the cost incurred by SME’s, women when servicing the loan liability. According to Sebstad et al, (1995) there are many indicators of growth of SMEs. This study will use among other indicators volume of gross sales, income of the SMEs, and size of business production, business profit, and number of employee in the business and revenue as indicator of growth for the enterprises. Further number of women versus man who access microfinance and the nature and type of business which get microfinance.

In many developing countries, many loan takers have been proven to have much benefit as they get credits. Studies undertaken by Chaliand (2003) and Chijoriga (2000) on the impact of microcredit programmes on household income show that participants of such programmes usually have higher and more stable incomes than they did before they joined the programmes. Some researchers however have reservations about the findings of those studies. Chaliand, 2003) notes that even the more rigorous studies have produced inconclusive results. There are therefore serious disagreements among experts on the validity methodologies used in some of the published studies.
1.2 Problem Statement

There is global recognition that microfinance plays a crucial role in the revenue and profit growth of SMEs. However, according to de Aghion and Morduch (2010), it is also widely acknowledged that no well-known study robustly shows any strong impacts of microfinance on SMEs. For Zimbabwe which has a largely informal economy on performance of SMEs. There is a dearth of empirical information on impact of loan administration to SMEs growth. Most studies have focused on challenges being faced by SMEs, in localized areas, whose results cannot be extrapolated to other regions or towns. The study will also close the information gap on how to foster sustainable financial inclusion by profiling challenges and opportunities faced by the underprivileged community members, inter alia women and SMEs in general. Further, the impact of the non-financial services offered by MFIs such as training have not been explored adequately, so as to justify their implementation or redesign. The study also seeks to find out whether SMEs in Zimbabwe have access to loans from the various MFIs.

1.3 Objectives of the Study

The broad objective of the study was to explore the impact of microfinance institutions in fostering inclusive financing of small business enterprises in Harare.

Given below are the secondary objectives;

- To find out the bulk of loans approved by MFIs to SMEs
- To match the frequency at which SMEs borrow from the MFIs against other sources of funds.
- To find out the challenges SMEs face when considering micro-credit
- To evaluate inclusiveness of microfinance institutions in funding SMEs and women
- To find out the non-financial services that are offered by MFIs to SMEs
1.4 Research Questions

- What is the bulk of loans approved by MFIs to SMEs
- What is the rate at which SMEs borrow from MFIs as against other sources of capital
- What are the challenges that are faced when considering microcredit
- What is the impact of micro-credit on SMEs performance
- Does MFI foster financial inclusion to SMEs and women

1.5 Justification of the Study

The research is expected to contribute to the impact of microfinance institutions and financial inclusion on small to medium enterprises.

1.6 Significance of the Study

To the researcher

- The study improved the research skills of the researcher
- The researcher gained knowledge on financial inclusion and enhanced knowledge in the field of loan administration

To the university

- The study will be used as literature review and act as an avenue for further study by students in their academic study

To the SMEs and MFIs

- The research will make recommendations to SMEs to MFIs.
- The investigation will inspire improvement of the financial inclusion and how the improvement can be used to enhance its administration of loans.

To the public

- The study is meant to broaden the public’s knowledge on loan administration and financial inclusion
The research is of fundamental use as a source of reference materials to students, government, private and schools libraries.

### 1.7 Assumptions

- Respondents will respond truthfully
- Owners and managers will make data accessible
- All responses provided by the questionnaire respondents will be true facts
- The chosen sample will give a true representation of the population

### 1.8 Limitations of the Study

Time was the greatest limitation to the study. The research was undertaken within a short period thus there is limited time to conduct an extensive study. Financial challenges also caused the size of the sample to be limited and this made the information available to be limited as well. The researcher faced problems in getting information from the top management of MFIs. The senior managers are bound by an oath of secrecy compelling them not to disclose official business information without clearance.

However, the researcher had measures to overcome these challenges in fulfilment of the study. These included time management with set schedules and time frame. The researcher also utilised the company’s resources at disposal. These were relationships that were built during the course of the study, reports and secondary data gathered researches and surveys already done by the SMEs.

### 1.9 Delimitations

The study was carried in Harare, the capital city of Harare province of Zimbabwe. The study focused on owner-managed SMEs that have been in business for five or more years. It also gathered empirical data from MFIs in Harare.
1.10 Definition of Terms

**Micro-finance** – This refers to financial services provided to low-income people, usually to help support self-employment. Examples include; small loans, savings plans, insurance, payment transfers, and other services that are provided in small increments that low income individuals can afford.

**Microfinance institution (MFI)** - A formal (i.e., legally registered) entity whose primary activity is microfinance.

**Financial intermediation**- The process of accepting repayable funds (such as funds from deposits or other borrowing) and using these to make loans or similar investments.

**Small and medium enterprises** – The SME nomenclature is used to mean Small and Medium Enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The SMEs cover nonfarm economic activities mainly manufacturing, mining, commerce and services (URT, 2003)

**Entrepreneur**- One who assumes the financial risk of the initiation, operation and management of a given business or undertaking. Someone who organises a business venture and assumes the risk for it.

**Formal activities**- These are industrial activities that are carried out within the legal framework of an economy.

**Informal activities** – Is a system of exchange used outside state-controlled or money-bases economic activities.

These definitions are according to (Ledgerwood, 1999)
1.11 Summary

In this chapter the researcher has made an effort to highlight the key subjects of this research that is statement of problem, background of the study, and the significant of the study, deficiency that limit the full scope of the research. Unfamiliar words that will be encountered in the project are also given in this chapter.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction

Literature review is a summary of previous research on a topic, it surveys scholarly articles, books, and other sources relevant to a particular area of research or interest. Within the review the author provides a description, summary and critical evaluation of each source that is its strengths and weaknesses. It will also identify gaps in the literature and topics for further investigation. This chapter focuses on some of the concepts of microfinance and the role they play in the development of SMEs. The concepts that are chosen are those that are in relation with the area of this project. The chapter also explores various products and services that MFIs have and explain how they are of importance to the development of SMEs and also the extent to which transaction cost affects the delivery of these products and services, the next centre of attention is SME growth and development. This gives an idea on how firms are considered by financial institutions before they are offered their services. It clearly reviews the relevant authors who identified, suggested and published information and ideas of the research under study. This chapter is of paramount importance as it provides a platform for arguments and set guidelines to the research topic.
2.1 Theoretical Framework

Micro finance has been defined as a development tool that grants or provides financial services and products such as small loans, savings opportunity, micro leasing, micro insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses. Micro finance is popular in developing economies where majority of the population does not have access to affordable sources of financial assistance (Robinson, 1998). Ledgerwood (1999) indicates that other than financial intermediation, some microfinance organisations provide social intermediation services such as the formation of groups, development of self-confidence and training of members in that group on financial literacy and management.

Micro financing institutions can offer their clients who are mostly men and women slightly below or above the poverty line a variety of products and services. The most prominent of these services is financial that they often render to their clients without tangible assets and these clients mostly live in the rural areas, a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor’s profitable investments. They usually ask for small loans and the financial institutions find it difficult to get information from them either because they are illiterate and cannot express themselves or because of the difficulties to assess their collateral (farms) due to distance (CIDA 2001).

2.1.1 Theories of Micro-Finance

2.1.1.2 Women empowerment Theory
Cheston and Kuhn (2002) talk about the theory of empowerment. The theory indicates that women account for approximately 74% of the 19.3million of the world’s poorest people now being served by microfinance institutions. Most of the females have access to finance to invest in business that they own and operate themselves and have since shown great commitment by having exceptional payment records. The underlying concern is gender equality and women’s human rights.
Microfinance is promoted as an entry point in the context of wider strategy for women’s economic and social political empowerment. The focus here is gender awareness and feminist organisation (Khan 2008).

2.1.1.3 Uniting theory of microfinance
The uniting theory of microfinance emphasises on joint liability. Ghatak and Guinnane (1999) reviewed the key mechanisms proposed by various theories through which joint liability could improve repayment rates and the welfare of credit-constrained borrowers. They established that all the theories have in common the idea that joint liability can help alleviate the major problems facing lenders that is screening, monitoring, auditing, and enforcement by utilizing the local information and social capital that exists among borrowers under explicit joint liability, when one borrower cannot repay a loan, group members are contractually required to repay instead. Such repayments can be enforced through the threat of common punishment typically the denial of future credit to all members of the defaulting group or by drawing on a group savings fund that serves as collateral. Second, the perception of joint liability can be implicit. That is borrowers believe that if a group member defaults, the whole group will become ineligible for future loan even if the lending contract does not specify this punishment.

2.2 Conceptual Framework
2.2.1 The emergence of microfinance, global perspective
The concept of microfinance is not novel in the world. It has existed for a very long time in different parts of the world. Jonathan Swift established one of what is considered as the earliest and longest serving microfinance institution in the 1700s (Hollis and Sweetman, 1999). It was a micro-credit organisation that provided short term small loans for poor farmers in Ireland on trust. His idea began gradually but grew into almost 300 branches in Ireland in less than ten years (Hollis and Sweetman, 1999). These scholars reported that in the early 1900s microfinance institutions had spread to North America and parts rural Latin America. They were supported by the cooperative movement and donors. The main aims of the institutions were to increase the commercialisation of the rural sector and to increase investments through credit.
Micro finance evolved and expanded from the narrow field of microcredit (Helms, 2006; Elahi and Rahman, 2006; Henry et al 2003). Micro-credit is a narrow view of giving small loans to poor people while microfinance is a more comprehensive concept that encompasses a wide range of financial services for poor people. Helms (2006) gave a historical evolution of microcredit and eventually microfinance. The ideas of microfinance date back to the 15th century when pawn shops were established in Europe as alternatives to usurious money-lending. In the 1700s, the Irish Loan Fund System was established in Ireland. These cooperatives were developed to improve the welfare of the rural and urban poor people. In 1895, Indonesia developed the idea of banks for poor people by established the Indonesian People’s Credit Banks.

The realisation of structural barriers to providing savings and credit service to poor (Elahi and Rahman, 2006) motivated the emergence of microcredit programs across the globe, and in particular developing countries. Structural barriers facing the poor people include information asymmetries, lack of collateral, high transaction costs, high risk and systematic market bias (Elahi and Rahman, 2006). Proponents of microcredit such as Yunus (2004) and FINCA (2007), suggest that these barriers could be overcome through the provision of small loans to the poor. The loans will then help them to develop their businesses and pull them out of poverty traps or break out of the poverty ‘vicious cycle’ and enter a ‘virtuous cycle’. The Grameen Bank’s success in reaching the poor and high loan recovery attracted world-wide attention. As mentioned earlier, any countries started to replicate the Grameen Bank’s group lending methodology for providing loans to the poor and low-income groups. The bank provided that the poor can be good customers in finance.

While, microcredit involves the provision of small loans to the poor, microfinance encompasses a range of financial and non-financial services that include savings, insurance, money transfers, training and social engagements over and above credit. Today, the provision of microfinance ranges from traditional informal suppliers to commercial banks. Commercial banks such as CBZ, ZB Band and Banc ABC in Zimbabwe are starting to enter the microfinance sector so as to provide financial services to not only the poor but SMEs, while others have tailor made services for women and youth. The Post Office Bank, has for instance a women’s desk so is ZB Bank. Traditional banks are slow to take up the challenge of providing credit to the poor people because they rate them as risky borrowers. However, the current focus is now on researching to find out ways of
building an inclusive finance system that works for the poor (Rhyne, 2013; Helms, 2006; Rhyne, 1998). This study is poised to contribute towards this research focus.

2.2.2 The Grameen bank experience

Grameen Bank, was founded in 1976 in Bangladesh as a project and transformed into a specialized bank in 1983, is the best-known micro-credit program. By 1994 it had mobilized more than 2 million members, 94 percent of them women, and achieved a loan recovery rate of more than 95 percent (Khandker, 1998:3). IFAD (2004) states that in countries as diverse as Bangladesh, Benin and Dominica, repayment rates are as high as 97 per cent. This strengthens Khandker’s statistical evidence about high repayment rates by microfinance participants although they are regarded ‘unbankable’ in the traditional financial sector. This high rate was achieved by the bank’s group-lending methodology that took advantage of the social capital1. Access to financial resources has been hailed as an intervention for poverty alleviation. In 1984, John Hatch2 came up with a new model called “village banking”. This is a unique and influential method for delivering non-collateralized small loans, savings and other financial services to the poor worldwide (FINCA, 2007). Village banking is gaining momentum and is proving to be an effective tool for poverty alleviation among the poor people. The poor people were being organized into groups, giving them the power to collectively disburse, invest and collect loan capital as they saw fit. This program then gained the name “Village Banking.” Zimbabwe has its own microfinance history that forms part of the international developments of the sector.

2.3 Empirical Evidence

Many studies have been conducted on MFIs. Ali et al (2013) investigated the accessibility of microfinance for small business in Mogadishu. The main objective of the research study was to examine the challenges which were faced by small businesses in accessing microfinance services in Mogadishu. The main findings were that Small business in Mogadishu were facing challenges to access loans from MFIs, this resulted in many small business to close shop whilst some may not have started due to lack of ability to overcome the challenges. The research recommended that microfinance institution were required to set more flexible, affordable and attractive requirements in financing small businesses. Their role needed to be felt by the small enterprises in terms of growth and development.
Odebiyi and Olaye (2012) carried out a research study on the role of finance in the development of small and medium scale aquaculture enterprises in Nigeria. The results of the study indicated a positive impact of microfinance bank loan on small and medium scale aquaculture development as it increased the revenue of the farmers, reduced rural-urban migration and increased overall yield and even generate employment opportunities. Oni et al (2012), assessed the contributions of MFIs to the sustainable growth of SMEs in Nigeria. The analysis revealed that MFIs did and contributed to the sustainable growth of SMEs in the Nigeria. Their research study however also found out that MFIs services outreach to SMEs was poor. The researchers recommended appropriate modification to be made to address gaps for MFIs to effectively contribute to SME activities in the country. They also highlighted that apart from creating greater SMEs outreach to MFIs services through establishment of rural branches, both government and MFIs can increase SMEs access to MFIs services through intensified campaigns at the local government and ward levels.

Koech (2011) conducted a study to find out the financial constraints that hinder growth of SMEs in Kenya. The researcher adapted the case study approach and targeted SMEs in Nairobi. The study use questionnaires as the main tool for data collection. Data was analysed by exploratory factor analysis and descriptive and frequency distribution analysis. The factors hindering growth were identified as capital access, capital management, and collateral requirement. The study recommended that business financiers through loans consider reducing collateral requirements to facilitate SMEs easy access to loans.

In Cameroon a study to investigate the impact of MFIs on the development of SMEs by Nilson (2010) was steered, the study included a case study approach that involved the Cameroon Cooperative Credit Union League it concluded that the MFI is an important asset to developing countries since it is able to furnish the financing needs of the very poor in the society. In India a study was carried out to found the effects of microfinance by Brian and Woller (2010), it determined that MFI has brought better social and psychological empowerment than economic empowerment. The study further recommended that the impact of microfinance is commendable in courage, self-confident, self-worthiness, and skill development, awareness about environment, peace in the family, and reduction of poverty management. In other variables the impact is
moderate. As a result of participation in microfinance, there is observed a significant improvement of managerial skills, psychological wellbeing and social empowerment. It is recommended that the Self Help Groups may be granted legal status to enhance the performance.

A study was also conducted in Nigeria by Olu (2009) on the impact of microfinance on entrepreneurial development of small scale enterprises. The study revealed that MFIs are evident tools for the small firms’ development due to the various services they offer. Oja (2009) examined the impact of microfinance on entrepreneurial development of small scale enterprises in Nigeria. Three different hypothesis were formulated and tested using various statistical tools such as chi-square test, analysis of variance and simple regression analysis. The study revealed that (i) there was a significant difference in the number of entrepreneurs who used microfinance institutions and those who do not use them; (ii) there was a significant effect of microfinance institution activities in predicting entrepreneurial productivity; and (iii) that there was no significant effect of microfinance institutions activities in predicting entrepreneurial development. The researcher found out that microfinance institutions world over and especially in Nigeria were identified to be one of the key players in the financial industry that had positively affected individuals, business organisations, other financial institutions, the government and the economy at large through the services they offer and the functions they perform in the economy.

Alarape (2007) did a study to examine the impact of owners/managers of small business participating in entrepreneurship programs on operational effectiveness and growth of small enterprises in Nigeria. The study was a cross-sectional analysis of impact of exposure of owners’ managers of small businesses on their performance of operational efficiency and growth rate. The data was collected from primary and secondary sources. Both descriptive and inferential statics were employed for the analysis. The findings were that small business whose, managers had experience of participating in entrepreneurship programs exhibited superior managerial practice, had higher gross margin rate of growth than small businesses whose owner managers did not have superior experimental learning. This had a practical effect that there is need to improve managerial practice of small businesses through exposure of owners/managers to entrepreneurship programs in order to enhance their performance and transition to medium and large business.
Ngwenya and Ndlovu (2003), carried out a research study to evaluate the performance of MFIs in relation to the promotion of credit access to the poor in the Matabeleland region in Zimbabwe. They highlighted that despite facing some industry wide challenges, MFIs made a significant impact in linking SMEs and the poor to sources of credit. They recommended the Zimbabwean government to formulate a strategic plan on MSEs and MFIs for prudential operations. They also recommended that the government of Zimbabwe must make information disclosure by MFIs mandatory and also encouraged MFIs to introduce insurance products to cushion both themselves (MFIs) and SMEs in the event of a problem. Vogelgesangu (2001) analysed the impact of microfinance loans on productivity and growth of client’s enterprises. The researcher used client database of Caja Los Andes, one leading microfinance in Bolivia. The results highlighted that the clients put the MFIs loans were found to have higher growth rates than other clients. A cross-section analysis of sales revenue showed that clients with MFI loans generated higher sales revenue than others for a given asset level.

Coleman (1999) examined if loans accessed from MFIs were effectively utilised by borrowers and suggested that the village bank credit did not have any significant and physical asset accumulation to the borrowers. The women ended up in a vicious cycle of debt as they used the money from the village banks for consumption purposes and they were also forced to borrow from money lenders at high interest rate to repay the village bank loans so as to qualify for more loans. The study mainly highlighted that credit was not an effective tool to help the poor out of poverty or enhance their economic condition. This researcher further suggested that the poor are too poor because of some other hindering factors such as lack of access to markets, price stocks, unequal land distribution but not lack of access to credit. Montegomery et al (1996) suggested that though women accessed loans from MFIs as this is viewed by most microfinance service providers as enhancing women do not have control over loans taken by them when married. In line with that, Goetz and Gupta (1994) asserted that in most microfinance programs women were the main target of the credit program but the management and utilisation of the loans was made by the men hence not making the development objective of lending to the women to be met.
2.4 History of microfinance development in Zimbabwe

The Zimbabwean microfinance sector dates back to the 1960s when people were mobilized into groups to form savings clubs. Even before these groupings, people had other sources of credits such as friends and relatives. This is a universal phenomenon which is not exclusive to Zimbabwe. According to Adams and Raymond (2008) informal credit sources, such as family members and friends, moneylenders, commercial agents and group-based Rotating Savings and Credit Associations (ROSCAs) have been providing peasants with credits for centuries. This applies to the Zimbabwean scenario as well. In Zimbabwe private moneylenders offer exorbitant or usurious loans called ‘chimbadzo’ (meaning exploitative lending).

Raftopoulos and Lacoste (2001) and Bond (1998) narrate that the Zimbabwean microfinance dates back to 1963 when the Catholic Missionary initiated the Savings Development Movement (SDM). The organization focused on micro-savings mobilization by rural women. The women operated in groups thus SDM savings club was established. The club’s sustenance was based upon financial savings generated by club members. Savings clubs grew in numbers from 30 in 1970 to 1500 in 1974 as established by Raftopoulos and Lacoste. They further reported that during the same period, club membership increased from 2000 to 3000. They also noted that the savings clubs reached 3000 in 1975 with 60 000 active members. However, their activities were hampered by the liberation struggle activities (1976 to 1980). War is always an underdevelopment catalyst and it provides a fertile ground for inflation and other negative socio-economic forces. After the Zimbabwean independence (i.e. 1980) SDM was then registered as a cooperative (Bond, 1998; Bond and Manayanya, 2003).

Zimbabwe’s early post-independence period created an enabling environment for the continuation of savings clubs that had been stopped in the previous years. Raftopolous and Lacoste note that savings clubs increased from 5000 in 1983 to 7000 in 1998. This remarkable increase was a clear sign of the demand for microfinance by the poor. In the early 1980s the Agricultural Finance Cooperation (AFC), a parastatal, was central in extending loans to small-holder farmers. In a bid to support the mobilization of savings by the poor, the government established the National Association of Cooperative Savings and Credit Unions of Zimbabwe (NACSCUZ) in 1986. This was under the Ministry of Community Development and Women’s Affairs. NACSCUZ’s main
aim was to provide technical support services to savings and credit cooperatives. Its other objectives were the provision of training, monitoring and evaluation of credit cooperatives. The Economic Structural Adjustment Program (ESAP) era (1991-1995) created an environment that had serious repercussions on the poor. ESAP, among other things called for financial liberalization. This policy prescription led to an increase in interest rates, hence reducing the access to loans by the poor (Moyo, 1999). Due to increased government borrowing, removal of subsidies on basic goods, trade liberalization and devaluation, there was an increase in inflationary pressures in the country. These macroeconomic conditions posed a threat to micro-credit activities in the country. Liberalization in the financial sector created an environment that was not favourable to the poor as was noted by Moyo (1999).

In 1996, the Self-Help Development Foundation (SHDF) was formed in place of the SDM. A micro-credit scheme was introduced by SHDF in the same year, which was meant to promote savings among the poor (Raftopoulos and Lacoste, 2001). The ESAP challenges invited initiatives from international NGOs (in 1997) such as Konrad Adenaur Foundation (KAF), CARE International and the Belgium based Association pour la development oar la recherché ET l’ action integree ["Association for the Development by Research and Integrated Action"] (ADRAI). The international NGOs gave financial support to SHDF’s microcredit activities. Raftopoulos and Lacoste (2001) observe that they promoted, among other things, the development of sound credit methodologies, improvement of governance and establishment of sustainable revolving funds. This kind of support is needed today for a full blown development of microfinance institutions so as to realize credible microfinance methodologies and sustainability.

Raftopoulos and Lacoste (2001) argue that credit to the poor creates problems such as lack of capacity to cope with credit. Rich people often have access to credit at the expense of the poor. Furthermore, most of the microfinance programs are financed by donors and people do not feel responsible about donor money. Donor money is frequently misused and borrowers are reluctant to pay back when they borrow. According to Raftopoulos and Lacoste (2001), the SHDF program showed impressive results between 1996 and 2000 through the support by USAID (through CARE), and ADRAI. The authors reported that SHDF loans disbursed increased steadily from 117 in 1996 to 7097 in 2000. The total amounts disbursed also increased from Z$119 800 in 1996 to
Z$31 977 346 in 2000. This increase demonstrates the high demand for loans by the poor and low income groups. The political environment in Zimbabwe has had profound effects on microfinance activities, with the liberation struggle disturbing the progress and the recent political landscape negatively affecting microfinance activities. The following section gives a snapshot of political events in Zimbabwe and their implications on the economy in general and microfinance in particular.

2.5 Current state of microfinance sector in Zimbabwe

In Sub-Saharan Africa microfinance has continued to register impressive growth particularly in East Africa on the backdrop of the expansion of mobile technology driven solutions (RBZ, 2015). Microfinance activities also face a number of challenges. However, they remain subdued with hyperinflation, (between 2000 and 2009) acute foreign currency shortages, high unemployment levels, high incidences of poverty and a decline in real incomes and standards of living. On the other hand the industrial base is also shrinking. The aforesaid conditions have made policymakers to divert their attention away from microfinance. This has had detrimental effects in the development of the microfinance sector that is meant to serve the poor.

The majority of rural Zimbabweans remain completely cut-off from the traditional banking services. The same was echoed by the Reserve Bank of Zimbabwe (RBZ) governor in his April 2007 Monetary Policy Statement (ZAMFI, 2007). He pointed out that there was need to rope in the rural communities for inclusion into the financial system. According to ZAMFI, the per capita banking facility ratios in rural areas indicate unacceptable levels of financial exclusion of the rural populace. Despite the prohibitive macroeconomic environment, there is general consensus from government circles that microfinance can be used as a strategy for poverty alleviation in Zimbabwe. The situation on the ground suggests that the demand for microfinance resources is very high.

According to the Reserve Bank of Zimbabwe, RBZ (2017), SMEs report, it is noted that that since the adoption of the multicurrency regime in 2009, the Zimbabwe microfinance sector has enjoyed steady growth as reflected by an expansion in branch outreach and number of clients accessing
financial services from microfinance institutions. The GoZ having recognised the key role of microfinance in channelling financial services to low income groups, and the challenges hindering the sector from reaching its full potential, it developed the National Financial Inclusion Strategy (NFIS) which was launched on 11 March 2016 and spearheaded by the RBZ. Microfinance occupies a prominent role in the NFIS as one of the four key pillars and is expected to play a critical role in facilitating access to financial services by the unbanked particularly small to medium enterprises (SMEs) which are recognised globally as the engine for growth.

2.5.1 Regulation of MFIs in Zimbabwe
Regulation of microfinance has an impact on the effectiveness of the institutions in increasing or encouraging financial inclusion. The Microfinance Act [Chapter 24:29] which was gazetted in 2013 is main legal, supervisory and regulatory frameworks for Microfinance institutions in the Zimbabwe. The act is seen by the RBZ to have promoted and strengthened risk management and corporate governance systems and practices in microfinance institutions. The introduction of the deposit-taking microfinance licence has provided the long awaited avenue for funding through authorized deposit mobilization Get bucks and Success Microfinance Bank have been awarded the licenses. According to the RBZ, (2017) historically, some errant microfinance institutions (credit-only) have ventured into illegal deposit-taking resulting in members of the public losing their money.

The Microfinance Act provides for registration and deregistration of microfinance institutions, including deposit-taking microfinance institutions and expectations for the standard loan agreement, administrative, accounting, and risk management and corporate governance practices. Registration of an MFI needs USD$25,000, projected financials and company documentation.

2.6 Demand of microfinance
Effective demand or simply demand is the willingness and ability that people have to acquire a commodity. In this case the commodity refers to microfinance services offered by different suppliers that may be formal (such as banks and MFIs), quasi-formal (such as NGOs) or informal (such as relatives and friends). A commodity is anything that has the ability to give satisfaction or utility to the purchaser. Microfinance resources are on demand because of their ability to meet the
capital needs of the poor who are considered ‘unbankable’. Robinson (2001:10) states that about 80 percent of the world’s population has no access to formal sector financial services. This percentage is higher (about 95%) in the developing countries as postulated by Hailu (2008). Most of the demand for microfinance resources comes from those operating in the unregulated, informal sector of the economy (Robinson, 2001). The informal sector is a manifestation of the failure of the formal sector to meet the needs and wants of the people. The need to develop increasingly flexible and responsive financial products starts perhaps the most compelling challenge facing the microfinance industry today. In response to this growing need, a number of donors, practitioner networks, and projects are in the process of developing operational tools that practitioners can use to design demand-responsive microfinance products. This project will evaluate how current products and services being offered by Zimbabwean microfinance institutions are impacting on local SMEs.

2.7 Supply of microfinance

Microfinance institutions (MFIs) provide financial intermediation, in addition they also provide social intermediation services such as the formation of groups, development of self-confidence and the training of members in that group on financial literacy and management (Ledgerwood, 1999). There are different providers of microfinance (MF) services and some of them are; nongovernmental organisations (NGOs), savings and loans cooperatives, credit unions, government banks, commercial banks or non-bank financial institutions. The target group of MFIs are self-employed low income industrialists who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc. (Ledgerwood, 1999).

Microfinance triangle comprise of financial sustainability, outreach to the poor, and institutional impact. There are costs to be incurred when reaching out to the poor and most especially with small loans (Christabell, 2009). The financial institutions always try to keep this cost as minimum as possible and when the poor are in a dispersed and vast geographical area, the cost of outreach increases. The provision of financial services to the poor is expensive and to make the financial
institutions sustainable requires patience and attention to avoid excessive cost and risks (Adam and Von Piscke, 1992).

2.7.1 Supply of microfinance in Zimbabwe

Microfinance market structures vary from one country to the next depending on financial development, policy environment and level of economic development. In Zimbabwe microfinance is provided by banks, Post Office savings Bank (POSB), microfinance institutions (MFIs), associations (ROSCAs), Regular (non-rotating) Savings and Credit Associations- RESCAs, non-governmental organizations (NGOs), relatives and friends, and private money-lenders. The government is also a supplier of microfinance resources to the rural poor; however the latter has been politicized. Microfinance services that are provided for agriculture and seasonal loans are often available in kind. For example, the government’s ‘maguta/ inala program’ (bumper harvest program) of 2007, saw farmers getting diesel, seeds, farm implements, fertilizers and herbicides. Unfortunately, the program was hampered by drought that negatively affected agricultural production. Small-holder famers were not able to repay the Government of Zimbabwe (GOZ) making it to lose lots of money in unpaid loans (bad debts). Government efforts to support the microfinance sector are complimented by the donor community.

For SMEs, they largely require working capital. Commercial banks that support the microfinance initiative include Barclays Bank, Commercial Bank of Zimbabwe (CBZ), Agricultural Bank of Zimbabwe (AGRIBANK), Post Office Savings Bank (POSB), and Kingdom Bank (through its subsidiary Microking). This list is not exhaustive (Pearson and Hungwe, 1997). These banks have facilities of giving relatively small loans to SMEs. MFIs form part of the financial sector hence they are under the control of the RBZ. Their operations are guided by the Money-Lenders’ Act. MFIs are required to be registered with the RBZ and are given operating licenses that are renewed annually. It becomes the responsibility of the RBZ to create an enabling legal environment in support of the microfinance sector. Appropriate regulation and supervision in the microfinance is imperative in bringing the poor and the low income communities the financial services that they need at their level. This is the essence of financial inclusion and it is important in the wholesome development of all sections of the population. The Government of Zimbabwe (GoZ) assists the SMEs and small holder farmers through its parastatals such as AGRIBANK, Small Enterprise
Development Corporation (SEDCO), Social Development Fund (SDF) [under the Ministry of Public Service, Labour and Social Welfare].

In Zimbabwe, the RBZ (2017) reported that the microfinance sector grew at an average of 32.61% in the last five years, in spite of the constraints in the operating environment. Total loans increased from $63.43 million as at 31 December 2011 to $187.16 million as at 31 December 2015. The number of licensed microfinance institutions and branches increased from 95 and 106 to 152 and 571 from 2009 to 2015, respectively. Further, the Reserve Bank points out that the microfinance branch network has also expanded to cover all the ten provinces of the country.

2.8 Small to Medium enterprises

The SMEs nomenclature is used to mean micro small and medium enterprises, (MSMEs). The SMEs cover nonfarm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SME. Different countries use various measure of size depending on their level of development. The commonly used yard sticks are total number of employee’s total investment and turnover (MIT 2002)

SMEs play a certain role in the economy. They are a major source of entrepreneurial skills, innovation and employment. However they are often confronted with market imperfections. SMEs frequently have difficulties in obtaining capital or credit particularly in the early start-up phase. Their restricted resources may also reduce access to new technologies of innovation (European Union 2005)

2.9 SMEs development in Zimbabwe

The Zimbabwean economy has experienced more than 15 years of economic challenges, and the government noticed the resilience that was displayed by small to medium enterprises (SMEs) both in the formal and informal sector. The informal sector ballooned as formal businesses were collapsing due to the harsh economic conditions. So the informal sector played a significant role in the economy during the Zimbabwean economic crisis (Makina, 2010; Makochekanwa and Kwaramba, 2010; Makochekanwa, 2007. The economy survived on SMEs (both formal and
informal) as drivers of economic activities that sustained the livelihoods of the people. This realization prompted the government to address questions about an enabling environment for promoting the microfinance sector.

2.9.1 Role of microfinance in SMEs development

A crucial element in the development of the SME sector is access to finance, particularly to bank financing (Marco, 2013). Microfinance Institutions (MFIs) emerged to serve the financial needs of un-served or underserved group of people in the community such as SMEs. In their study, Marco, (2013) on the role of MFIs in SMEs development in Kenya, they reported that there was a noticeable lack of technical support to SMEs from MFIs, and at the same time SMEs are viewed as organisations which have low credibility by local MFIs. Generally the study also reported that it was difficult for SMEs to obtain loans from MFIs, some of the obstacles being high interest rate and collateral security. In another study by Ngehnevu, (2010) of SMEs in Cameroon, it was reported that securing micro-financing by SMEs was determined by the stage or level of development in which the business was. They reported that businesses that were viewed as growing by the MFIs had it easy to get a loan. But the main criteria used were the ability to pay back and to meet the set requirements to obtain a loan. The main requirement is fixed tangible assets such as land. According to the RBZ, (2017), SME report, Microfinance plays a critical role in providing access to finance by the low-income groups and micro, small and medium enterprises who cannot access the same from the formal banking system, due to the absence of collateral acceptable to banking institutions. Microfinance is used as a tool to reach out to remote areas that are shunned by banking institutions.

2.9.2 Services offered by MFIs

The services provided to microfinance clients can be categorised into four broad different categories:

a) Financial intermediation or the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require ongoing subsidies.
b) Social intermediation is the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation. Social intermediation services include formation of groups, development of self-confidence and the training of members in that group on financial literacy and management.

c) Enterprise development services or non-financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and subsector analysis. This may or may not require subsidies and this depends on the ability and willingness of the clients to pay for these services.

d) Social services or non-financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training. These social services are like to require ongoing subsidies and are always provided by donor supporting NGOs or the state (Bennett, 1997; Ledgerwood, 1999).

2.10 Some problem faced by SMEs to acquire capital from formal financial institutions

Formal financial institutions have failed to provide credit to the poor and most of whom are found in developing countries and to be more specific in the rural areas. The reasons given by Von Pischke (1991: 143-168) is that their policies are not meant to favour the poor. The poor are mostly illiterate and banks lack those skills to target these rural customers. In these areas, the population density is very low causing high transaction cost by the financial institutions since they need to move for long distances and also takes time to meet the customers Devereux et al (1990:11). SMEs in developing countries are considered to be too unstable by banks to invest in. Due to this instability, the banks consider SMEs to have high risk and the costs these banks suffer to monitor the activities of the SMEs are high. Hossain (1998), Bhattacharya, et al. (2000) and Sia (2003) identify that formal financial institutions (banks) are reluctant to lend to SMEs since investing in SME activities is considered by banks to be very risky. They find it risky in the sense that if invested in, and in an event of unfavourable business conditions, they have low financial power, assets, and easily go bankrupt Sia (2003). The cost of borrowing from banks is very high and this
prevents SMEs to get funds from them, but these costs to borrow are sometimes subsidised by the government Meagher (1998). The application process for a loan is long and difficult for SMEs to meet up with the hassles (Hossain, 1998). The collateral demanded by banks for a loan is based on fixed assets of which these SMEs might not have them which is a hindrance to acquire funds. They cannot afford these collaterals which include; estates, and other fixed assets valued usually at 200% of the loan (Meagher, 1998). The major setback that prevents SMEs to get funding from external sources is the problem of information asymmetry. That is the magnitude of the deviation of the correct information that is needed by the lending institution Bakker, Udell, and Klapper (2004).

2.11 Financial Inclusion for women

Financial inclusion in the context of Zimbabwe is defined as the effective use of a wide range of quality, affordable and accessible financial services, provided in a fair and transparent manner through formal and regulated entities, by all Zimbabwe (RBZ, 2015). This drive is being pushed thorough MFIs. The government of Zimbabwe is cognisant of the significant contribution of an inclusive financial sector to the socio economic development of the country. Notwithstanding the number of initiatives instituted in the pursuit of an inclusive financial sector, gaps are particularly pronounced among special groups such as SMEs, women, youth and the rural population. Women are financially excluded and have to rely on personal networks to meet their most basic financial needs, this makes them vulnerable to loss, theft and exploitation, and reinforces the cycle of poverty. The global scale of women’s financial exclusion makes it clear that to achieve universal financial access, we need to focus on women, but it’s not an easy task. Expanding access to finance for women brings some unique challenges that funders and development practitioners should be thinking about as we push toward universal inclusion.

Women face a plethora of challenges whilst trying to access financial services these include social norms constrain women’s demand for financial services, they are not expected or encouraged to have financial independence. In worst case scenarios in Zimbabwe women just act merely as a transfer mechanism for financial products to men further distorting the nature of demand. Providers of financial services have less incentive to cater for women because of the smaller margins associated with the meagre loan amounts that they require. Women often prefer informal products particularly for savings and reaching them with formal products entails higher costs in
order to explain the products to them and influence the husbands and friend who they turn to for advice and affirmation. Those who successfully lend to women often also provide non-financial services such as training in leadership. The proportion of women accessing funding from microfinance institutions is increasing from 32.90% in 2014 to 42.10% in 2015 (RBZ, 2017). The Ministry of Gender and Youth Development also gives loans to women and youth for their developmental projects meant to pull them out of poverty (Pearson and Hungwe, 1997). This initiative resulted from swelling unemployment among the youth and was also used as an empowerment strategy for women.

2.12 Gap
Microfinance is not a new concept. It is dates back in the 19th century when money lenders were informally performing the role of now formal financial institutions. The informal financial institutions constitute; village banks, cooperative credit unions, state owned banks, and social venture capital funds to help the poor. These institutions are those that provide savings and credit services for small and medium size enterprises. Agriculture and SMEs are the key sectors to the government and of course has a great influence in the socioeconomic development of the country but productivity and development keeps on dropping with a rising population in Zimbabwe. The study will explore how local MFIs have deployed the four categories of services that should be offered by MFIs inter alia financial and social intermediation, enterprise development and social services for SMEs in Harare, Zimbabwe. It will also look at how women are being financially included. According to Cooper (2012) MFI services have a strong impact on the growth of SMEs in Kenya. Koech (2011) identified factors that hinder growth of SMEs as capital cost, collateral requirement, information access, capital management. From the above literature review, it was evident no research has been done on financial inclusion of MFIs and thus study intends to fill that gap.

2.13 Summary
This chapter focused on analysis of the literature review on the subject matter of impact of microfinance institutions in inclusive financing of small to medium business enterprises. This is to enhance the understanding of the research study. The next chapter thereby looks at the research methodology used to conduct the research study.
CHAPTER III

METHODOLOGY

3.0 Introduction
This chapter explains the methodology that was used in carrying out the survey. It starts with the study site, since it’s a case study it therefore explains the location and demographic characteristics
of the town. This is followed by the research philosophy and approach, the research strategy and instruments. The last three sections of this chapter outlines the ethical issues that were considered, data validity, data reliability and lastly the tools used in data analysis.

3.1 Research Design

Research design is defined by Cooper and Schindler (2003) as a plan and structure of investigation so conceived as to obtain answers to research. This definition is also seconded by De Vaus, 2006 who referred research design to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem; it constitutes the blueprint of the collection, measurement, and analysis of data.

The research design used by the researcher was a descriptive case study. The researcher chose this way as it was the most appropriate way of answering the research questions on the impact of microfinance institutions in financial inclusion on SMEs. The type of research design used is very useful in explanatory research study.

3.2 Study site

The study will be carried out in the town of Harare, the capital of Harare province of Zimbabwe, Harare has a population of 2 800 000 million in the metropolitan comprising of 6 280 539 million male representing 48.1% of the population and 6 780 700 females representing 51.9% (ZIMSTAT, 2012). Predominant economic activities in the area revolve around small to medium enterprises and most residents in Harare are informal traders, surviving on selling wares and basic commodity from neighbouring countries as South Africa, Zambia and Mozambique.

3.3 Research philosophy

Saunders et al. (2009) define research as something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge. There are two important phrases
in this definition which are: “systematic way”, which suggests that research is based on logical relationships and not just belief (Ghauri and Gronhaug, 2005) and “to find out things”, which suggests that there are multiplicities of possible purposes for your research. These may include describing, explaining, criticising and analysing (Ghauri and Gronhaug, 2005). Yin (2009) identified three different types of research purposes; explanatory, descriptive and exploratory. Explanatory research establishes causal relationship between variables, it studies problems and situations with the main purpose of explaining relationships between variables (Saunders et al, 2003). Descriptive research portray accurate profile events or situation (Robinson 2002:59). Descriptive research also is known statistical research which describes data and characteristics about a phenomenon being studied. Although the data description is factual, accurate and systematic, the research cannot describe what caused a situation. Thus it cannot be used to show a causal relationship where one variable affects another. From the above mentioned points, descriptive research is more of a qualitative research.

3.4 Research approach

The two main types of research approaches used in social sciences are: quantitative and qualitative. There is no one best approach to study management research rather the approach that is the most effective for resolution of a given problem depends on a large number of factors such as nature of the problem etc. (Gill & Johnson, 2006).

Quantitative research approach refers to the systematic empirical investigation of phenomena and quantitative properties and their relationships. That is to say, it emphasizes on collection of numerical data, which is a deductive approach (Bryman & Bell, 2003). This deductive approach develops theories, hypotheses and designs a research strategy to test the hypotheses (Saunders et al, 2003). Quantitative research approach provides a relation between empirical observation and mathematical expression of quantitative relationships. Quantitative method is based on already decided and well-structured questions, whereby all the respondents will be asked the same questions. Open questions are used to give the respondent the flexibility to answer from different perspectives.
Qualitative research approach refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies (Saunders et al, 2009). It can be range from a short list of responses to open ended questions in an online questionnaire to more complex data such as transcripts of in depth interviews or entire policy documents. (Saunders et al, 2009) this method emphasizes on inductive approach (Saunders et al, 2003). The researcher collects data and develops theory from data analysis. (Saunders et al, 2003).

Also, qualitative and quantitative methods can be used in the same study. They can bring together the depth and the width into a research. We think that a combination of qualitative and quantitative research methods will give us a good deal since we mailed some of the structured questions to some respondents with our set objectives, and to understand our chosen subject, we will lay emphasis on the qualitative research method, though we induced some level of quantitative approach realized through interviews with some representatives.

3.5 Research Strategy

3.5.2 Case study

This method of research is one of the many ways of carrying out social science research. Others include experiments, histories, surveys, and the analysis of archival information (Yin 2003). Each of these methods has its own advantages and disadvantages, depending on the type of research questions, the control than an investigator has over actual behavioural events, and the focus on the contemporary as opposed to historical phenomena.

Case study is good when we asked “how” and “why” questions, when investigators have little control over events, and when they focus on a contemporary real life events. In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real life events such as individual life cycles, organizational and managerial processes, neighbourhood change, international relations, and the maturation of industries (Yin 2003, p2)

Definition of case study: the essence of a case study, the central tendency among all types of case study, is that it tries to illustrate a decision or set of decisions: why they were taken, how they were implemented, and with what result (Schramm, 1971 emphasis added, Yin2003,p12). Bryman and
Bell, (2003) said that the case study is mostly associated to qualitative research method use to study organization.

The researcher is convinced that the case study is the best research strategy to be used in writing this our research project since it investigates a real life phenomenon, and gives answers to what extent has microfinance impacted on the development of SMEs in Harare, Zimbabwe. This is done by using a qualitative approach.

3.6 Population

As defined by Leedy (1993), population is the set of individuals, items, or data from which a statistical sample is taken. In this study population consist of small to medium enterprises (SMEs), micro finance institutions (MFIs) and women in business. The selected target population was used because it contained information relevant to the topic under study.

3.7 Sampling

Leedy (1993) defined sampling as a process used in statistical analysis in which a predetermined number of observations will be taken from a larger population. In this study the researcher used a sample of 500 SMEs, 5 MFIs and 25 women in business.

The researcher used stratified random sampling and judgmental sampling methods in determining the sample size in this research. Sampling units were selected from each station using judgmental sampling method. Individuals and businesses were grouped into subgroups called strata. This is where the researcher used her judgment to select sample elements with the intention that the sample so selected will be a good representative of the population under study. Judgmental sampling was used to choose respondents to the questionnaires. MFIs and SMEs were given questionnaires whilst women were interviewed.

The researcher used judgmental sampling because it was cheap and time conserving. No special knowledge of statistics was required. The other advantage was that a selected number of people who are known to be related to the topic were used which means that there are lesser probability of having people who will distort the data. However, judgemental sampling may produce bias results because the group selected may not represent the population since there is no element of
random selection and the sampling unit selected for the sample depended on the subjective judgment of the researcher. In order to reduce bias, the researcher also used stratified random sampling since it ensured that specific groups were represented, even proportionally, in the sample by selecting individuals in the strata list.

3.8 Research instruments
In this study the researcher used questionnaires, interviews and secondary sources to collect data. The research instruments enabled the researcher to collect data responding to the problem under study through answering research questions. It involves the process of gathering facts and theories for the research.

3.8.1 Questionnaires
According to Cooper and Schindler (2003), questionnaires consist of a set of questions presented in written form to the respondents’ in order to obtain views of the participants on the research problem. The researcher developed questionnaires which were both open and closed so as gather sufficient information to answer the research problem. The researcher used questionnaires as they were easy to administer and also measurement and analysis was possible since all respondents answered the same questions. Questionnaires were a better way of collecting primary data because they eliminated interview bias and guaranteed anonymity of respondents as most respondents preferred to remain anonymous. Large amounts of information were collected from a large number of people in a short period of time and a relatively cost effective way. Questionnaires were carried out by the researcher with limited effect to its validity and reliability. The results of the questionnaire were quickly and easily quantified by either the researcher or through the use of Microsoft excel. Questionnaires were analysed more scientifically and objectively than other forms of research.

However, when using questionnaires, there was no way to tell how truthful a respondent was being. In addition the technique did not allow for further probing and observation of non-verbal communication. The other disadvantage was that they were delays while waiting for respondents. As a way of justifying the use of questionnaires, the researcher controlled the weakness of time delays by delivering questionnaires in hand and also by setting deadlines for their return. The
researcher also used interviews so as to validate the research since questionnaires did not allow for further probing and observation of non-verbal communication.

3.8.2 Secondary sources

The researcher collected data which is already processed, prepared and analysed. The data collected was from written records such as the financial statements, journals and company reports. The data was found at one place, no processing of was required as it is already processed and also no field work was required thereby saving time, costs and efforts. One of the advantages of using document analysis was that there were reduced chances of incorrect data and like hood of gathering biased data since the researcher had access to the written documents. Secondary sources were also cost effective and not time consuming. This research instrument enabled the researcher to obtain accurate data. The other justification for choosing secondary sources as a research technique was due to the availability and accessibility information required to answer research questions. However through using this data collection technique there was lack of clarity something as the researcher will be analysing written documents. This was, however overcame through conducting interviews for clarity on vague data.

3.8.3 Interviews

An interview is a purposeful discussion between two or more people (Kalm and Cannell, 1957). Using the method of interviewing, it helps the researcher to get reliable and valid data which are relevant to the research questions. This means of collecting information for a case study is a very essential.

There are two main types of interviews: which are formalized and structured, using standardized questions for each research participants (often called a respondent), or they may be informal and unstructured conversation (Saunders, et al, 2009, p320). Structured interviews use questionnaires based on a predetermined and “standardized” or identical set of questions and we refer to it as interviewer-administered questionnaires (Saunders, et al, 2009). Each question is being read and response is done on a standardized schedule, while it’s a social interaction between the participants. As structured interview are used to get a quantifiable results, they are referred to as quantitative research interview (Saunders, et al 2009). On the other hand, semi-structured and in
depth interview are “nonstandardized”. These are often referred to as “qualitative research interviews” (King, 2004). We did interview some loan officers in MFIs asking them if gender do play a role to get a loan among other issues, outlined in appendix 1.

3.9 Ethical Considerations
The researcher has to make sure that there is confidentiality and privacy to avoid respondents from being known. There is accurate recording of data and preventing misuse of research results by making conclusions iron survey as per the data collected. Data or information is not going to be distorted.

3.10 Data Sample
In this study the researcher used a sample of 500 SMEs, 5 MFIs and 25 women in business were chosen and interviewed.

3.11 Data collection procedures
The researcher developed the questionnaires and these were put to pilot testing and adjustments were made based on the results. The researcher then pre-contacting the sample identified her and discussed the purpose of the study requesting cooperation so as to ensure a greater response rate. All the questionnaires were delivered by hand by the researcher to ensure that they reach the intended destination. Respondents were notified the date of returning the questionnaire so as to ensure that they respond in time. A follow up and further stressing on the importance of their contributions was done on non-respondents so as to make them participate. All the questionnaires were then gathered waiting for the data to be analysed.

When undertaking interviews, the researcher made a list of those who need to be interviewed and then identified information that need to be gathered. The researcher then sought informed consent explaining the purpose of the interview and notifying them that the researcher will be using a note-taker. The researcher then made appointments through the telephone since this would ensure quick feedback. The researcher then interviewed the subject based on the objectives of the study. Upon
using secondary sources, the researcher went about collecting information relating to the research study from written documents such as the financial reports and costing sheets.

3.12 Data presentation and analysis

Presentation and analysis was based on the methods of collection. Data was gathered from primary sources and secondary sources with the help of tabulation, the researcher then arranged these in a logical and concise manner. The data needs to be accurate and as a result it also needs to be checked before being put into use to enable conclusions to be made. Then there is need to compile the data, interpret it to analyse the research objectives. The researcher used bar graphs, tables and pie charts to present the data that was gathered through the use of Microsoft excel. The researcher chose those methods of data presentation and analysis because they accurately represent the data collected and they are easy to interpret. Quantitative and qualitative analysis is going to be used to analyse and interpret the data.

3.13 Validity and reliability of instruments

Validity involves an assessment of the methods used in data collection to determine whether or not they effectively measured what they were supposed to measure. Reliability refers to consistency of measurements (Saunders et al, 2009). The researcher considered the instruments that were used as reliable and applicable to this research. In order to improve the validity of this study, the researcher designed specific and appropriate questions that covered the area under study. The researcher also did a pilot test with questionnaire and then corrected it before distributing them. When testing reliability and validity, the researcher sent questions to twice and any variation in results that were collected had to be carefully examined so as to figure out the most reliable conclusion.

3.14 Summary

The chapter was outlining sampling issues, types of data that was gathered and the methods of data collection and analysis procedures. It was also describing how the data collection was executed. The subsequent chapter then focuses on the way the data was presented and analysed in detail.
CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction
This chapter focused on the presentation of the data collected using the methodology outlined in chapter three; it also focuses on the analysis and interpretation of the questionnaires that were distributed. The data presentation, analysis and discussion of the data gathered will provide a sound meaning to the findings so as to provide answers to the research questions that would permit drawing conclusions and action to be taken. The findings are relevant to the objectives of the study and fulfil the research questions. The researcher employed both qualitative and quantitative means by form of tables, graphs, pie charts and comments to assist the analysis and interpretation of data. Descriptive statistics such as tables, pie charts and bar graphs are used to analyse data as they are deemed effective in portraying trends and relations. Questions will be reviewed individually as they are presented in the questionnaire. The quantitative approach was substantiated with qualitative aspects where by the responses were briefly explained and analysed accordingly.
4.1 Demographic data

4.1.2 Gender of respondents

![Gender of respondents](image)

**Figure 4.1 Gender of respondents**

**Source: primary data (2018)**

Figure 4.1 shows gender of respondents. The majority of the consumer respondents were females with a percentage of 65% whilst men gave a percentage of 35%. This situation attributed to the MFIs by the policy to empower women economically. Men were also not reluctant to answer the questionnaires being hence maybe the higher result being from women.

4.1.3 Age of respondents

Theory states that age is an important factor which can influence economic activities to be achieved by a healthy and energetic individual. In this case, age indicates the proficiency of an individual to produce economic material wealth for humankind consumption. Available discussion explaining the influence of the age of the owner advocates for the younger owner, the argument
here rests on the fact that the younger manager has the necessary motivation, energy and obligation to work and is more inclined to take risks (Storey, 1994). The logic is that the older manager is likely to have reached his original aspiration. The study shows the mean age of entrepreneurs to be 32 years while the maximum age was 47 and the minimum age to be 19 years. Most people belonging to this age are running businesses with very low returns maybe because of lack of adequate capital, lack of business skill experience.

### 4.1.4 Questionnaire response rate

Table 4.1 Questionnaire response rate

<table>
<thead>
<tr>
<th></th>
<th>Questionnaires sent</th>
<th>Responses received</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFIs</td>
<td>20</td>
<td>18</td>
<td>90%</td>
</tr>
<tr>
<td>SMEs</td>
<td>100</td>
<td>85</td>
<td>85%</td>
</tr>
</tbody>
</table>

Source: Primary Data (2018)

Table 4.2 shows the questionnaire response rate
4.1.3 Location of business

The study found out that the bulk respondents have their businesses in the CBD and 21% off the CBD area, with about 11% being in other areas around the Harare town.

Figure 4.2 Location of Business

Source: Primary Data (2018)
4.1.4 Education level of manager

Majority of the managers 25.80% had reached their O levels, 30.3% had reached their A levels, respondents who had studied towards diploma level were 6.1% and the bulk of them had done their undergraduate degrees and only a small percentage of 1.5% had postgraduate degrees.

4.2 SMEs area

4.2.1 Sources of business capital

Findings on business capital showed that 14% sponsored themselves for the launch of their businesses, 17% be dependent on family and friends, 5% were from partnerships with the majority of 51% obtaining loans from other financial institutions and only 13% attaining capital from other sources. However it was solidly established among all respondents that the capital for the operation of their operations are not adequate as per the demand of goods and services they need for operation.
4.2.2 Volumes of loans arranged

Figure 4.4 Volume of loans arranged

Source: primary data (2018)

Eighty percent of the studied sample was granted exactly 100% of loans applied for with 5 percent of the SMEs also being granted 65-79% of the loan. Only 1% of the total sample was given less than half of the loan trying to be obtained.
4.2.3 Effects on the influence of MFIs on SMES

Figure 4.5 Effects on the influence of MFIs on SMEs

Source: primary source (2018)

When SMEs were asked whether the existence of MFIs have had any effect on their business, it was found that majority of them up to 75% recorded a positive effect, while 35% remained unchanged as shown by the table above. However none of the respondents showed a negative consequence. It also agrees with Cooper (2012) that microfinance services had a strong positive impact on the growth of SMEs.
4.2.4 Challenges faced by SMEs in accessing credit

Figure 4.6 Challenges faced by SMEs in accessing Credit

Source: primary source (2018)

Fig 4.6 shows the challenges brought to fore by respondents in accessing loans from not having the required collateral that is needed by the finance houses, the burdensome procedures in verification of papers and delay in processing which can run from several weeks into months. The major problem is delay in processing which to delays in disbursement of the funds and this accounts for 58% and 33% accounts for the entire process being too long owing to numerous paperwork before securing the loans and 9% had difficulties in securing collateral needed. This finding also concurs with Koech (2011) that the factors affecting growth among them was collateral difficulties and capital management.
4.2.5 Percentage of growth in different areas

There was growth in different areas of respondents business as follows;

Table 4.2 Percentage of growth in different areas

<table>
<thead>
<tr>
<th>Area of growth</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3.4</td>
<td>3.6</td>
<td>3.9</td>
<td>4.1</td>
<td>3.75</td>
</tr>
<tr>
<td>employment</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.3</td>
<td>3.525</td>
</tr>
<tr>
<td>New branches opened</td>
<td>9</td>
<td>10</td>
<td>13</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Technology improvement</td>
<td>3.5</td>
<td>4.6</td>
<td>5.1</td>
<td>9</td>
<td>5.55</td>
</tr>
<tr>
<td>Skill improvement</td>
<td>3.7</td>
<td>3.8</td>
<td>5.6</td>
<td>8.9</td>
<td>5.55</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.66</strong></td>
<td><strong>5.12</strong></td>
<td><strong>6.22</strong></td>
<td><strong>8.06</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: primary source (2018)

From the table above it can be seen that introduction of new branches had a high average of 15% and technology and skill improvement, next at 5.55% and employment with the least growth at 3.5%.
4.2.6 Dynamics contributing to growth

Table 4.3  dynamics contributing to growth

<table>
<thead>
<tr>
<th>Attributed to the growth</th>
<th>frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>53</td>
<td>82.81</td>
</tr>
<tr>
<td>New markets</td>
<td>3</td>
<td>4.68</td>
</tr>
<tr>
<td>New products</td>
<td>2</td>
<td>3.125</td>
</tr>
<tr>
<td>Re-investment of profits</td>
<td>6</td>
<td>9.37</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.3

Source: primary source (2018)

From the table above the study shows that the majority of the respondents at 82.81% their growth was attributed to loan and 9% attributed to reinvesting of profits.

4.2.7 Frequency of credit requests

Table 4.4 Frequency of credit requests

<table>
<thead>
<tr>
<th>Item</th>
<th>Very often</th>
<th>often</th>
<th>Not often</th>
</tr>
</thead>
<tbody>
<tr>
<td>How often do you need a loan</td>
<td>60%</td>
<td>32%</td>
<td>8%</td>
</tr>
<tr>
<td>How often do you apply for loans</td>
<td>35%</td>
<td>62%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: primary data (2018)

As indicated above the research showed that 60% did not often need loans as compared to 32% who often require loans and the minority consisting of 6% did not require loans often.
4.2.8 Credit usage rates

The research shows that 72% of SME respondents used the loans for the intended purpose and this brought about a major growth in the SME sector. It also stabilizes the operations of the MFIs for progress and better service. However 28% of respondents misappropriated the loans which meant inability to achieve growth in business, the misappropriation of business loans defeats the purpose of MFIs, in the worst case clients would be unable to repay loans thereby causes a steady rise in loan percentage default and the need for collateral securities for even meagre loan requests. Some apply credit to use for payment of fees, housing building projects.
4.3 MFI area

4.3.1 Reasons to acquire loan

Figure 4.8 Reasons to acquire loan

Source: primary data (2018)

The most prominent reason for acquiring loans as indicated by 33.8% is to start up a business, followed by 26% who would want to expand existing business and the least prominent indication of loans is to build premises. 14.3% of respondents would like to acquire new capital and 15.6% would want to utilize the loans for working capital.
4.3.2 How members pay back loans

The table above shows how members actually pay back loans they would have borrowed, the normal way would be to repay instalments but men are such bad debtors that only 30% compared to 70% of women actually fulfil the obligation. 85% of men actually have to exchange their collateral to repay and 20% of men have no problem in paying back.

**Source: primary data (2018)**

Figure 4.9 how members pay back loan
4.3.3 Women who have taken loans

Table 4.5 Women who have taken loans

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>21%</td>
<td>32.9%</td>
<td>42.1%</td>
<td>44.2%</td>
<td>57%</td>
</tr>
</tbody>
</table>

*Source: primary data (2018)*

There’s a steady increase in uptake of loans by women over the years as shown by the trend tabulated above. More and more women are taking up loans as MFIs try to empower them driven by the initiative by RBZ of financial inclusion. Women are into several business including SMEs and cross border trading.

4.3.4 Collateral demanded

It was observed that, collateral is claimed for other types of credit and some MFIs do not require any form of security at all but rather grant credit based on the savings capacity of the client. In cases where collateral is requested among them were Land, Cars, Title deeds for houses and Shops as a reference point for guarantees

4.3.4 Categories which frequent loans

The MFIs serve SMEs from different industries namely manufacturing, service and commerce and they constitute 35%, 40%, 15% respectively with the remainder of 10% trading in other businesses.
4.3.5 Products offered by MFIs and their effects on SMEs

In a related discovery, most of the respondents who had knowledge of MFIs suggested to the fact that loans from MFIs have to some extent been augmenting their managerial, financial and management skills of their businesses. This was due to the need to pay back loans with its interest made them heedful and alert in the usage of money in the running of the business. 84% of respondents showed that their businesses improved according to the nonfinancial services that were offered by MFIs like the financial literacy training. The remaining 16% were still learning but were still struggling in appreciating the lessons.

4.7 Summary

This chapter presented and analysed the data collected from the field through questionnaires, secondary sources and interviews. Chapter five is going to outline the conclusions arrived at from the study and will also bring out recommendations thereof to the organization.
CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter presents a summary of the findings and the conclusions of the research drawn from the research findings as well as recommendations based on these conclusions. Areas of further studies are also highlighted in this chapter.

5.1 Summary
The research intended to establish the impact of microfinance institutions in inclusive financing of small businesses in Harare CBD

5.2 Summary of major findings
- The research findings establish the enormous contribution of Micro Finance Institutions (MFIs) to the development of the SME sector to curb the issue of money constraints since most SME entrepreneurs indicated they could not readily access credit from traditional banks.
- The research confirmed a positive effect of MFIs towards promoting SMEs increase in product quality, quantity and range, increase in branch network, market share.
- The study finding reveals that MFIs played its role of providing funds for the SMEs with at least 80% of the loan applications being arranged in full.
- MFIs must however improve in the area of training of the SMEs in the areas of financial management (bookkeeping) before or after granting loans.
- In line with the objectives it was found that SMEs are utilizing loans granted by MFIs for business purposes, this mainly caused by the need for SMEs to see their businesses
thriving and endure economic hardships and unemployment which currently stand at around 80%.

5.3 Conclusions

- Based on the verdicts the study concludes that the development in SMEs is due to the changes in the loans acquired and non-financial services offered by MFIs.
- There is a highly positive relationship between the MFIs services and the development of SMEs.
- Saving habits of SMEs and women did improve as the savings accumulated also act as the basis of loans to be granted in the future.
- MFIs provide support services for SMEs in the form of business, financial and management training. As most SMEs lack the requisite knowledge and some have little knowledge in financial management, this sort of training have beneficiaries make informed financial decisions.
- The research also exposed challenges SMEs meet in accessing credit these are burdensome procedures, inability to provide collateral securities in cases where they are demanded, high interest rates as the will be unable to make repayments.
- MFIs also face challenges when granting credit like repayment of loans, lack of collateral security required from SMEs and lack of transparency in the business accounts and related business information.
- RBZ has managed to come up with a National Microfinance Policy that is meant to regulate and support the MFIs for sustainable operations. It has also come up with the National Financial Inclusion Strategy which has seen women being financially included as it requires MFIs to develop affordable services and products for all client types. Women are now empowered financially and it has been seen that women are better borrowers and are less likely to default in repayment hence making them more responsible than men.

5.4 Recommendations
From the research findings, the following recommendations can be made to improve service of MFIs in the metropolis and also sustain the progress and perhaps improve the growth of the SME sector.

**5.4.1 Training**
The study recommended that commercial banks and privately owned MFIs must train SMEs on aspects of financial management before availing loans to them. It is commended that the MFIs provide business and financial training on regular basis and in most cases tailor-make toward the training requirements of their clienteles.

**5.4.2 Government support**
Government and local authorities should provide sufficient infrastructural facilities such as permanent work station, electricity and additional ablution facilities among others. The government has also regularised MFIs through the Microfinance Act Chapter (24.29). A platform is laid that creates incentives to the MFIs to better their operations. They do also have some services that are rendered to the MFIs to have good management practices. The government has noticed the importance of microfinance and the impact it is creating in developing the economy and to drive the inhabitants out of poverty.

**5.4.3 Proper use of loans**
The MFIs have a great responsibility of making sure that proper use of loans for the purpose intended as that facilitates business acceleration. This can be achieved by making credits or loans client-oriented and not product-oriented.

**5.4.4 Administration fees**
The administration fee for new applicants should be reduced so as to incorporate the very poor into the system including women. This will enable them get access to the products and services that those just below or just above the poverty line enjoy. Also the mode of repayment should be revised so that the poorest can borrow without collateral. This should be done in a way that will increase the frequency of repayments and this is known to reduce the risk of non-payment. Evidence from Bangladesh by Armendariz and Morduch (2005) suggest that MFIs with high repayment rates have low moral hazard problems.
As for the recommendation of women it is believed that they are the foundation of the society and their empowerment is at the lamp light of every financial scheme, this holds in the African context where the woman is the sole person who caters for the family. More should be done in providing women with financial services as this will empower them financially, socially and other wise. Women are better borrowers than men as shown by this study in terms of repayments they are naturally responsible hence government and other lending institutions should help repayment rates than men. As a final point, it is recommended that the MFIs provide business and financial training on a regular basis and in most cases tailor made toward the training requirements of their

**Areas for further study**

- Many scholars have concentrated on MFIs on abled individuals, focus should also be shifted to disabled people.
- An analytical and detailed study is required to determine the causes of the failure of many SMEs in Zimbabwe despite the legal and regulatory framework that has been put into place.
- The study to investigate the contribution of cultural and gender aspects to growth of SMEs, the study should try to link enterprise growth with gender and culture of entrepreneur.

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APPENDICES

Appendix 1: Questionnaire

I am final year student at Bindura University of Science Education. I am studying towards a Bachelor of Accountancy (Honours). I am carrying out a research on the impact of microfinance institutions in inclusive financing on SMEs: a case of Harare town
Attached is a questionnaire that will help me gather the relevant data for the research. I kindly ask you to assist me by completing the questionnaire attached to this letter as honestly as possible. Any information entered on this questionnaire shall be kept with the strictest confidentiality.

QUESTIONNAIRE

PART A

Instructions

• Please do not write your name.
• Where there are boxes kindly put an [X] or a tick in the appropriate box
• Where there are no boxes please fill in your responses in the spaces provided

SECTION A: DEMOGRAPHY DETAILS

1. Gender of respondents
2. **Level of Education**
   - Secondary
   - Higher national diploma
   - Undergraduate
   - Post graduate

3. Age
   - (a) 18-25
   - (b) 26-30
   - (c) 31-40
   - (d) 41 and above

**SECTION B**

**IMPACT OF DIFFERENT LOAN ADMINISTRATION PRACTICES BY MFI ON SMEs GROWTH AND DEVELOPMENT**

4. What products do you provide
   - (a) Savings
   - (b) Loan
   - (c) Investment
   - (d) Non-financial services
   - (e) Others please specify………………………………………………..

5. Which category of SMEs serve as your target market
   - (a) Manufacturing
   - (b) Service
   - (c) Commerce
   - (d) Others (please specify)……………………………..

6. Which sector of SMEs frequently acquire loans
   - (a) Manufacturing
   - (b) Service
   - (c) Commerce
   - (d) Others (please specify)……………………………..
7. In your own evaluation, do loans granted lead to growth in their business?  
   Yes ☐ No ☐

8. As per your evaluation, do you think clients use all loans granted for business activities?  
   Yes ☐ No ☐

9. If no, what activities do you know clients use the loans for?  
   ………………………………………………………………………………………………………………………………………………………………………………………………..
   ………………………………………………………………………………………………………………………………………………………………………………………………..

SECTION C
THE FREQUENCY AT WHICH SMEs BORROW FROM MFI AS AGAINST OTHER SOURCES OF FUNDS

10. Do you always find the criteria for loan processing cumbersome?  
    Yes ☐ No ☐

11. How often do your regular clients request for credit?  
    (a) Not often ☐ (b) Often ☐
    (c) Very often ☐ (d) Not sure ☐

SECTION D
TO FIND OUT THE CHALLENGES SMES FACE WHEN CONSIDERING MICRO-CREDIT

12. What are your criteria for providing credit?  
    ……………………………………………………………………………………………………………………………………………………………………………………………………..
    ……………………………………………………………………………………………………………………………………………………………………………………………………..
    ……………………………………………………………………………………………………………………………………………………………………………………………………..

13. What kind of collateral do you request?  
    (a) Land (b) House (c) Shop (d) Others (Please
14. Do SMEs always get collateral requested?

   Yes ☐  No ☐

15. What percentage of total applicants qualify for loans within a month?
   (a) Less than 25 ☐  (b) 26-50 ☐
   (d) 51-75 ☐  (e) 76-100 ☐

16. Do you face any challenges you face in granting credits to SMEs

   ................................................................................
   ................................................................................
   ................................................................................

SECTION E
EVALUATE THE INCLUSIVENESS OF MICROFINANCE INSTITUTIONS IN FUNDING SMES AND WOMEN

17. Are they any other actors seriously involved in the development of SMEs and women (NGOs, Government, Banks, etc?)

   ................................................................................
   ................................................................................
   ................................................................................

18. How many women have taken loans so far this year?

   ................................................................................
   ................................................................................

19. What’s the rate at which females repay their loans compared to their male counterparts

   Collateral exchange [ ]
   Instalment repayment [ ]
   No problem in repayment [ ]

SECTION F
TO FIND OUT THE NON-FINANCIAL SERVICES THAT ARE OFFERED BY MFIS TO SMES

20. Kindly provide suggestions as to how credits and other non-financial services provided for SMEs can be improved?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

21. Does MFIs have special products and services design for SMEs (Loan scheme, training and education etc.)?

Yes ☐ No ☐

Please explain how.
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

22. How precisely do you help your customers in the development of their businesses?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

23. What innovations are you doing to increase the depth and breadth of these products and services?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................