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Impact Of Microfinance On Economic Development For Developng Countries: A Case Of Zimbabwe (2010-2020)

BY

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DEDICATION

I want to dedicate this research to my parents for their unwavering encouragement of me to continue my education. I also want to dedicate this to my spouse, who helped me through my whole course of study and provided encouragement and inspiration

ACKNOWLEDGEMENTS

I want to convey my sincere gratitude to my supervisor, Mr. E. Chitombo, for his diligent work on this study project with me. His motivation, encouragement, and direction played a significant role in making this project a huge success that it is today. My mum also received my sincere gratitude for providing me with helpful research support in the form of concepts and resources. I'd want to thank my hubby as well for providing me with research materials when I most needed them. I appreciate the inspiration and support I have received from my family, friends, and the Banking and Finance class of 2018–2022. I owe a special debt of gratitude to my parents for their emotional and financial assistance during the course of my studies. I owe a great deal of gratitude to all the microfinance organizations and people who took part in the survey that was a crucial component of our research. I will never be able to express enough gratitude to God for giving me the gift of life, his undeserved favour, and all the blessings of love, care, protection, direction, inspiration, and good health.

ABSTRACT

The study focused on the impact of micro finance institutions on economic development in Zimbabwe. The researcher aimed at assessing the extent to which MFIs have impacted on economy through recipients lives so as to ascertain with certainty whether standards of living improved by alleviating poverty and the financial services offered by MFIs were also assessed. Additionally, the research also focused on determining the challenges faced by MFIs and the relationship between the two. Suggestion by some scholars proposes that microfinance has a positive and significant impact on economic development while other scholars observed that microfinance has no significant impact. A descriptive research methodology was applied which enabled the researcher to plan the gathering and examination of information in order to produce the required proof. A target population consisted 5 microfinances selected from 187 registered MFIs in Zimbabwe. A sample of 25 respondents was drawn from five MFIs in which five individuals were selected which included a manager, 2 loan officers and 2 employees were selected from each institution. Both primary and secondary sources of data were used with questionnaires, personal interviews being research instruments used to obtain raw data. The study revealed positive impacts on society, women and the economy through the micro financing services offered. It can thus be concluded that MFIs play an important role in increasing economic development in Zimbabwe. In light of this, it is important that MFIs extend their outreach to appeal to many disadvantaged communities so that both economic development and economic growth have far reaching effects in Zimbabwe. However, due to time constraints, the researcher could not cover most areas related to MFIs and as such future researchers should focus on examining the ability of these organizations to serve more people, as it is impacted by the regulatory and oversight environment for microfinance institutions in Zimbabwe

KEYWORDS: microfinance, economic development, financial inclusion, financial dualism

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List of abbreviations and acronyms

MFIs MICROFINANCE INSTITUTIONS

SMEs SMALL AND MEDIUM ENTERPRISES

RBZ RESERVE BANK OF ZIMBABWE

FDI FOREIGN DIRECT INVESTMENT

ZAMFI ZIMBABWE ASSOCIATION OF MICROFINANCE ISTITUTIONS

AS AGGREGATE SUPPLY

AD AGGREGATE DEMAND

SHGs SELF HELP GROUPS

ICT INFORMATION AND COMMUNICATION TECHNOLOGY

SDGs SUSTAINABLE DEVELOPMENT GOALS

OECD ORGANISATION OF ECONOMIC COORPORATION AND DEVELOPMENT

ZWMB ZIMBABWE WOMEN MICROFINANCE BANK

OECD ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

CHAPTER ONE

1.0 INTRODUCTION

Microfinance is frequently viewed as a means of repairing the credit markets and releasing the productive potential of the poor who depend on self-employment. The study evaluated how microfinance affected Zimbabwe's economic growth. The research problem, objectives of the research, and research questions were derived from the researcher's brief introduction of the research background. These inquiries have shaped the study's conceptual framework and research objectives. The researcher has highlighted the study's significance, its assumptions, constraints, and delimitations, as well as the definition of key terminology related to this research study and a chapter summary.

1.1BACKGROUND OF STUDY

Microfinance has gained widespread acceptance as a practical and long-lasting strategy for eradicating poverty and fostering small and medium-sized businesses (SMEs). In recent decades, it has solidified itself as an essential component of financial sector strategies in rising and developing nations. It is well known for its bottom-up approach among experts in international finance, scholars, policymakers, and development practitioners. The idea that the ability to record financial transactions, easy access, and an appropriate endowment of loans, savings, and insurance are necessary for the growth of microfinance is what is primarily responsible for this growth. Microfinance, which is included in the four categories of banks—commercial banks, discount houses, finance houses, and microfinance houses—plays a significant role in the creation of a diverse and flexible economy with effective private sector participation. Currently, the main factor in reducing poverty is microfinance. Through the monetary policy statement, Mavhiki et al. (2015) reported that 11% of banks' branch networks in Zimbabwe served 70% of their clients who lived in rural areas. Microfinance thereby fills the gap left by those who cannot afford traditional banks

Although it was seen as a personal tool of transformation, microfinance is raising income and with new resources it is improving education, health, houses and empowering women. And it has captured minds of those seeking social and economic change (Yunus 2008). The United Nations had declared 2005 the International Year of Microfinance, it was to demonstrate support from the world community on how microfinance was to economic development. Economic development is a qualitative and intangible concept which include variables such as

Human Development Index, Longevity, Gender Empowerment Index, Innovations, Sanitation, Health Status and Economic Stability. A distinctive characteristic of developing and emerging economies is financial dualism. The researcher looked at Zimbabwe as a developing country since 2010 to 2020.

The impact of microfinance is going to be measured using the following; *Outreach measurement, social cost-benefit analysis* (SCBA) and *social return on investment* (SROI) concept as an alternative concept for measuring the impact of microfinance. According to RBZ (2014), financial performance metrics, such as the number of branches, total assets, clients, total loans, licensed institutions, and MFIs that submitted returns, are the best ways to assess the performance of MFIs. Prior to the development of Microfinance Institutions (MFI), moneylenders preyed on the underbanked, especially in developing nations, and poor individuals were unable to obtain bank loans. Currently, microfinance promotes financial inclusion and linkage (Ashta, 2009; Karmakar, 2008) and broadens the range of financing options available to weaker groups, such as those at the bottom of the pyramid. Consequently, microfinance can be referred to as an economic innovation that aims to combat poverty (Jonker, 2009).

One of the solutions to the credit problem and the lack of funding options for the SME sector is the introduction and development of microfinance. For instance, in Bangladesh, participation in Grameen Bank decreased extreme poverty from 33% to 10% and participation in BRAC decreased it from 34% to 14%. (Jackson and Islam, 2005; Khander, 2005). Additionally, the Bank Rakyat Indonesia (BRI) unit has helped hundreds of thousands of households escape absolute poverty despite not focusing solely on the disadvantaged. The idea of microcredit was revived in the 1970s, and Muhammad Yunus's pilot project providing tiny loans to underprivileged villages in Bangladesh gave it global notoriety (Zeller and Meyer, 2002; Robinson, 2001). When individuals began to embrace microcredit as a means of reducing poverty, it attracted attention on a global scale.

Zimbabwe is one of the countries with high levels of extreme poverty. The original MFIs were non-profit organizations with a humanitarian mission to alleviate poverty by assisting the poor in developing vocational and business management skills and by providing small, uncollateralized loans as working capital (Armendariz et al., 2005).

1.2 STATEMENT OF PROBLEM

Unquestionably, the banking industry contributes significantly to economic growth and development through the effective use of resources. Microfinance, a provider of financial services aimed at assisting low-income people, particularly in developing nations, also contributes to economic development. Although it is mainly recognized for providing small affordable loans to SMEs, poverty alleviation and empowering women across the world. Its role in economic development has not been clearly identified or does it have a play in development. Microfinance has been in play for quite a long time producing small but adequate funds but rather only commercial banks are recognized more considering their nature of operation which is formal. There are so many MFIs across the world and many in developing countries which are in use till today but are they serving a purpose towards economic development as a financial sector should. Thus this study seek to review the roles and activities of microfinance if they have an impact towards economic development in Zimbabwe.

1.3 AIM OF STUDY

To assess the impact of microfinance on economic development in Zimbabwean economy.

1.4 RESEARCH OBJECTIVES

- ➢ To evaluate the impact of microfinance on economic growth and development
- ➢ To assess how microfinance institutions operate and services they offer
- ➢ To determine the challenges faced by micro finance in developing countries
- ➢ To determine relationship between microfinance and economic development

1.5 RESEARCH QUESTIONS

➢ how services offered by MFIs contribute to economic development

➢ what are the factors that affect economic development

➢ what are the strategies that may be adopted to improve economic development in developing countries

➢ what relationship is there between microfinance and economic development

1.6 HYPOTHESIS

H0: microfinance has no impact on economic development of a country (negative relationship)

H1: microfinance has an impact on economic development of a country (positive relationship)

1.7 SIGNIFICANCE OF STUDY

The findings of this study are extremely helpful to many parties involved in the microfinance banking industry and developing economies which are still under economic hardships. Also it helped managers of microfinance institutions in management of investments effectively through adoption of appropriate policies and strategies that has take cognizance of risks peculiar to the microfinance banks. Moreso it enhanced knowledge of the researcher and those in the field of finance on the relevance of microfinance institution to economic growth and there for stipulate interest in this area, Such interest lead to further review of this study.

1.8 ASSUMPTIONS

The following was assumed by the researcher;

- every individual operating in these economies save and borrow from microfinance
- variables which affect microfinance operations will remain constant
- The researcher assumed that the currency is in USD for the selected periods.

1.9 DELIMITATIONS

- the researcher found it difficult to work with all the institutions within the country in their entirety. Therefore the study focused on a few microfinance institutions.
- The research study focused on assessing the impact of micro finance on development of the economy
- The research study is limited to focus on microfinance institution not considering other financial institutions.
- The study is limited based on the focus of microfinance and development of the economy therefore covering a period interval of 10 years(2010 to 2020)

1.10 LIMITATIONS

- issues of some microfinance were not clearly identified as a result of confidentiality matters and bank regulations posed by government this is a challenge and hence efforts has been done through assessment of the collected given data

- Data is collected amongst microfinance institutions therefore making the research process time consuming and expensive to gather the required information. However the researcher managed the problem by using internet offered for free by the University and this will create more libraries to gather data from.

1.11 Ethical Considerations

A set of rules that direct your study designs and procedures are known as ethical considerations in research. Voluntary involvement, informed consent, anonymity, secrecy, risk of damage, and results communication are some of these guiding concepts. As shown by the study, the ethical considerations were not ignored (McShane and Pekele, 2012). The study was conducted in Zimbabwe at MFIs while maintaining a high level of confidentiality. High secrecy was maintained when handling the interview data. The respondents from various departments withheld their names, and the data was impartial. Additionally, the respondents provided willing participation and did so with the employer's agreement. And they were properly informed about the purpose of the study

1.12 DEFINATION OF TERMS

<u>MICROFINANCE</u>

Microfinance, according to Schreiner and Colombet (2001), is an effort to increase impoverished people' access to small deposits and loans. MFIs are found worldwide and in countries with vastly different levels of economic development. Robinson (2001), described micro-finance as the financial products and services created to address the requirements of the underprivileged and low-income people, especially in developing nations, in an effort to combat poverty and financial exclusion.

<u>FINANCIAL EXCLUSION</u>

Financial exclusion, according to Lenton and Mosley (2011), is the difficulty of persons with low incomes to access traditional financial services.

<u>FINANCIAL INCLUSION</u>

Financial inclusion refers to the accessibility of financial services and the equality of opportunity to access them. It describes the procedure by which people and organizations can obtain suitable, reasonable, and timely financial products.

ECONOMIC DEVELOPMENT

Building local wealth, diversifying the economy, keeping and generating jobs, and expanding the local tax base are all steps in the process of economic development, which aims to improve the economic wellbeing and quality of life of a community

1.13 SUMMARY

Microfinance institutions are a backbone of most economies as they contribute much to growth, development, poverty alleviation and economic transformation. In this chapter, the researcher introduced the reader to the background, problem statement, research significance, study delimitations, and obstacles encountered.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The researcher put forward the literature provided by other various researchers in relation to microfinance and economic development around the world and also the theoretical review. Conceptual framework will highlight elements and connections pertinent to the proposed topic, which will lead to the development of the study, establishing definitions and implications of microfinance to economic development by other various studies. While the empirical review will present past evidence from various studies on the services provided by MFIs within developing countries and its impact.

2.1 THEORATICAL FRAMEWORK

2.1.1 **The Neo-Classical and Endogenous Growth Theory**

The neoclassical viewpoint is founded on a fundamental economics premise that contends that long-term commitment and capital investment are necessary for economic progress. The neoclassical growth theories presuppose that capital investments, such as Foreign Direct Investment (FDI), can direct necessary funds to an economy that lacks capital, raising the marginal productivity of capital in the process and boosting economic growth rates.

2.1.2 The Solow Development Model

The two main factors in Solow's growth model are productivity and labour (output per worker). According to Solow, a continuous production function connects output to sustainable inputs of labour and capital. This theory establishes the values of the variables and equilibrium conditions, which show us when the economy is in a state of balance and when the variables, we are concentrating on are stable, that is, when the changes in the variables are straightforward and predictable.

2.1.3 The Keynesian Theory

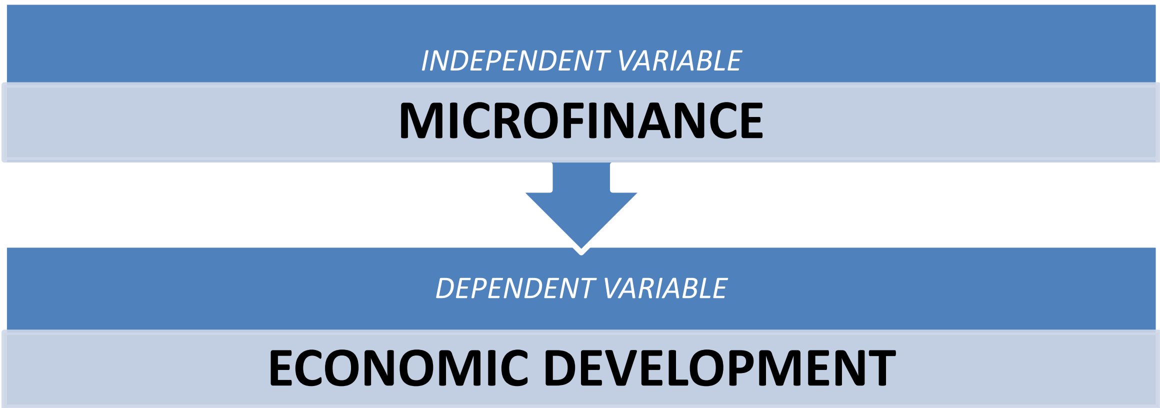
Public spending is viewed by Keynes as an exogenous component that may be used as a tool for policy to encourage economic growth. As per Keynesian theory, government spending can promote economic expansion. Therefore, despite multiplier effects on aggregate demand, a rise in government consumption is likely to result in an increase in employment, profitability, and investment.

2.1.4 Harrod-Domar Theory of Progress

The Harrod-Domar models for economic growth are based on the knowledge of eminent economists. They seek to understand the conditions for stable growth in a mature capitalist economy, to which they are principally dedicated. Investment is given a significant role in the process of economic progress by Harrod- Domar. However, they emphasize the dual nature of investment. In addition to boosting the economy's capital stock, it also generates income, which boosts the economy's overall productivity.

2.2 CONCEPTUAL FRAMEWORK

2.2.1 INDEPENDENT AND DEPENDENT VARIABLE:

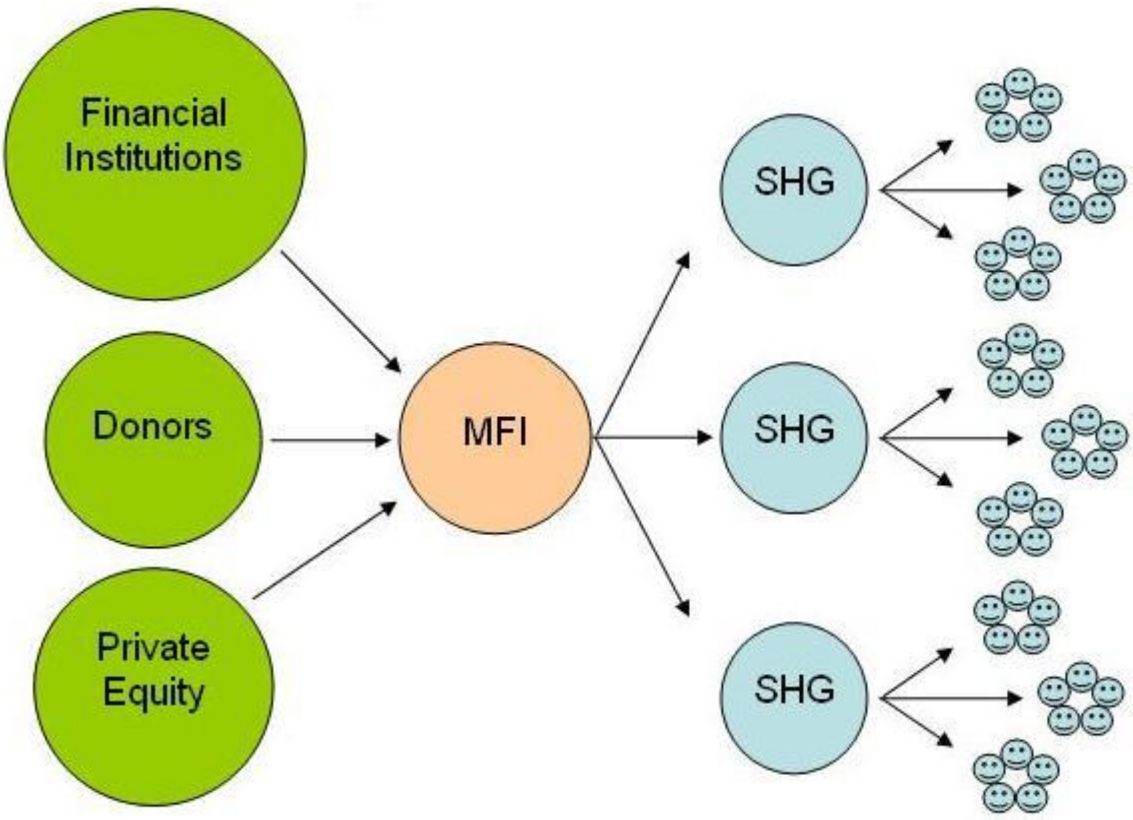


MICROFINANCE INSTITUTIONS

The National Microfinance Policy of 2008 defined micro - finance as the provision of a range of financial services to disadvantaged groups of people and SMEs that do not have access to financing from formal banking institutions, including savings, small loans, insurance, and money transfer services. Microfinance is the financial assistance given to low-income people or organizations who are ordinarily shut out of banking services. According to Hardy et al. (2003), microfinance must cover everybody who is not eligible for traditional financial aid, not just those served by micro - finance institutions (MFIs) that offer banking services to low-income clientele. They contend that in addition to eradicating poverty, microfinance also promotes economic growth by bringing all financially excluded individuals into the mainstream. The majority of microfinance organizations concentrate on providing credit in the shape of modest working capital loans, sometimes known as microloans or microcredit. According to Armendariz and Morduch (2010), microfinance includes a variety of services such as microcredit, micro savings, microbanks, microremittances, microguarantees, money transfers, and microinsurance.

The Zimbabwe Association of Microfinance Institutions (ZAMFI), a legally recognized non-profit trust established in 1999 to provide a vehicle for structured learning and to coordinate efforts in addressing institutional and policy barriers to the sustainable development of the microfinance industry in Zimbabwe, serves as the umbrella organization for MFIs in that country. Yunus established the Grameen Bank in Bangladesh in 1976, thereby institutionalizing the microfinance strategy (Encyclopedia Britannica). With 916 microfinance institutions (MFIs) and a roughly $124 billion in total loans under management, the microfinance movement is already widespread and thriving. In 2018, there were 140 million active borrowers with MFIs, 65% of whom lived in rural areas and 80% of them were women (Microfinance Barometer 2018)

2.2.2 STRUCTURE OF MICROFINANCE



There are many different types of microfinance companies, which can be broadly categorized as follows:

Formal microfinance institutions include commercial banks, cooperatives, telecom companies, and rural/microfinance/village banks that lend to people in lower income brackets.

Semi-formal microfinance institutions include Non-profit institutions that offer microloans.

Sources of informal microfinance include store owners and moneylenders who frequently make daily loans at excessive interest rates.

2.2.3 OBJECTIVES OF MICROFINANCE

- To reduce poverty
- To empower women and other disadvantaged population groups
- To create employment
- To help existing businesses grow and diversify their activities
- To encourage development of new businesses

2.2.4 MICRO FINANCE ACTIVITIES AND ROLES

Microfinance is a development tool, not only a form of banking. Microfinance is a method of providing financial services to those who are typically unable to access them, such as loans, savings accounts, and insurance. Large commercial banks to non-profit organizations make up the microfinance institutions (MFIs) that provide microfinance products to communities. Typically, microfinance efforts involve giving:

- Small loans, typically for working capital
- Informal appraisal of borrowers and investments
- Collateral substitutes, such as group guarantees or compulsory savings
- Access to repeat and larger loans, based on repayment performance
- Streamlined loan disbursement and monitoring
- Secure savings products

Although some MFIs provide enterprise development services, such as skills training and marketing, and social services, such as literacy training and health care

2.2.5 IMPACT OF MICROFINANCE IN DEVELOPING ECONOMIES

Impact is characterized as a change that results from a particular intervention. Understanding the impact of financial services on the lives of the poor is key to understanding impact. Most impact analyses have, up until now, concentrated on microcredit initiatives rather than including a variety of financial services. Impact takes into account asset accumulation, income growth, and decreased vulnerability. World Bank (2008) solely demonstrates the advantages of microfinance for women's economic empowerment in Africa and other developing economies.

Some academics have found evidence that microfinance affects on household welfare favorably and significantly (Yunus, 2004; Khandker, 1998; Magere, 2007; Okurut et al, 2013). Because of the high rates of interest charged by microfinance companies, the tiny loan amounts, and the quick repayment terms, some academics have noted that microfinance has no appreciable impact on household welfare. Some borrowers were reportedly caught in a debt cycle in these situations (Coleman, 1999; Bateman and Chang, 2010; Adams and Pischke, 1992).

Physical access is among the impact of microfinance that prevent small businesses and poor households from accessing financial services. While some financial institutions allow clients to access financial services over the phone or via the Internet, most financial institutions including MFIs require clients to visit a branch, ensuring repayment and collection of hard and soft information (World Bank, 2008; Presbitero, 2012). The role of geographical distance has been widely investigated in commercial banking as a proxy for transportation costs and informational asymmetries between lenders and borrowers

The reasons given for the disparities between the interest rates imposed by commercial banks and microfinance institutions are not without controversy. Microfinance institutions frequently point to high travel costs associated with dealing with clients dispersed across wide geographic areas as well as high transaction costs associated with processing a large volume of minor transactions. Additionally, a minor surcharge is applied for profit-driven microfinance organizations, which is a topic for discussion in and of itself.

2.2.6 STRATEGIES FOR ECONOMIC DEVELOPMENT

Export promotion

The drive for export-led growth is an extension of the straightforward free trade policy. This entails reorienting economic strategy toward export markets rather than on growth through higher domestic consumption or more government spending. This approach to development crosses both the market-led and state-led approaches, depending on the role of the government. Given that a significant percentage of its people has relatively little purchasing power, China has undoubtedly taken an export-led approach to expanding its economy. Although they place quite different emphasis on the optimal ways to encourage trade and the role of the state in the process, both theories do acknowledge the significance of trade for development.

Promotion of FDI

Given the lack of savings that many developing countries endure, promoting FDI can help close this gap and boost overall capital in an economy when domestic saving is low. The Harrod-Domar model highlights capital accumulation and more effective capital utilization as key factors in determining economic growth. A direct investment occurs when a citizen of one economy (either as an individual, a private or public organization), gains a long-term stake in a resource located in another economy. Through an initial impact on investment and real production, and amplified by a favorable multiplier effect, FDI has the potential to increase AS and AD. Additionally, FDI will have an impact on the balance of payments and facilitate technology transfer so that the recipient nation gains access to new technology and the know-how to apply it. An influx of FDI has a number of beneficial externalities related to the growth of human capital and advancements in infrastructure.

Promoting joint ventures with global companies

Partnerships are a way to increase the potential for growth and development in emerging and developing nations. Joint venture facilitation is a common role for governments in developing nations, a practice the World Bank supports. Joint ventures provide many advantages for nations. The companies involved in the joint venture, or the "host" company, might profit from the oligopolies' frequent high profit potential. Technology is also transferred from the multinational to the host in addition to money inflows. Joint ventures can also act as a cultural link between a foreign company and a foreign market, promoting the creation of goods that are appropriate for local markets.

Market penetration

This tactic's goal is to boost sales of currently offered goods and services on active markets, which will raise your market share. You can achieve this by luring clients away from your rivals and ensuring that your current clients purchase your goods or services more frequently. This can be done by lowering prices, increasing promotion and distribution assistance, acquiring a competitor in the same market, or making minor product improvements.

Market development

This entails boosting sales of currently offered goods or services in untapped markets. Market expansion entails analysing how to expand an existing market or how to sell a company's current offer on new markets. This can be done by a variety of consumer groups, including industrial customers for goods that were previously solely marketed to households, new locations or regions around the nation, and international markets.

Product development

Launching new goods or services on already-existing markets is the goal. Product design can be used to expand the offer given to current clients in an effort to boost sales. These products may be acquired through investments in the research and creation of new products, the purchase of the manufacturing rights to another company's product, the investment in the product and its branding, or joint product design with a company that needs access to the firm's distribution systems or brands.

2.2.7 FACTORS AFFECTING DEVELOPMENT

In emerging nations, **corruption** is pervasive on many different levels and hinders economic development. The capitalists, traders, and other powerful economic classes will inevitably continue to abuse national resources for their own gain as long as these growing nations fail to eradicate corruption from their administrative systems. Additionally, the licensing process is frequently abused, and licenses are not always awarded based on merit. Certain segments of society have mastered the skill of tax evasion in less developed nations, and frequently taxes are evaded with the complicity of government authorities.

One out of every five people in the developing world still suffers from **extreme poverty**. In many nations, the societal evils connected to poverty such as illnesses, broken families, crime, and drug use are getting worse. As a result of this tends to lower income per capita for every individual in developing economies thus affecting development of a country.

In many nations and places, **political unrest** impedes socioeconomic development and can even spark violent conflict. This instability is a result of rising income disparities both within and between nations, the marginalization of racial and other minorities, and more.

The **state of the environment** keeps becoming worse. In most nations, depletion of natural resources (soil erosion, loss of forests, ecosystems, and biodiversity, as well as the depletion of fish populations) and pollution are major issues. There are concerns regarding the ability of the planet's natural resource base to continue providing for and sustaining a growing population given current patterns of consumption and production.

The risk posed by **climate change**. It is anticipated that developing nations would be particularly at risk from the effects of climate change. Despite the fact that they currently make up a relatively small portion of the issue, those who are the least evolved are those who are most at risk.

Although people's levels of consumption matter more than their sheer numbers, population increase is predicted to make these pressures worse. Over 95% of the extra 2 billion people expected over the next 20 years would reside in developing countries.

Marginalisation, the combined effects of weak economic growth, a high external debt burden, corruption, violent conflict, and food insecurity are causing hardship in many nations. They also suffer from policies implemented in OECD nations, such trade protection. They are consequently becoming more and more excluded from the global economy.

2.2.8 ROLES OF MICROFINANCE ON ECONOMIC DEVELOPMENT

Microfinance is one of the better tools for reducing poverty, promoting economic growth, and fostering development in emerging nations in a world where over half of people live on less than $2.50 per day. Major world economies that are experiencing growth issues can benefit from loans in the same ways. The global financial crisis has an impact on microfinance as well. Instead, we now understand that loans can assist lower-income groups in starting and expanding small enterprises that create income and jobs for their communities' and economies' benefit. Small loans are given by microlenders to existing and aspiring small company owners. These loans assist in giving those who may lack the credit or access to conventional financing the chance to earn a higher income and create jobs in their local communities. The amount of microfinance loans vary by lender.

FINANCIAL STABILITY

One of the biggest contributions microfinance makes to local economies is by giving low-income and underprivileged families the tools they need to achieve financial stability. People have the chance to earn enough money to pay for necessities like food, shelter, and essential medical care thanks to small microloans. Giving these families a chance at long-term financial security can aid in lowering the number of persons utilizing public assistance programs, which is advantageous to the local and global economies.

JOB CREATION

Jobs are not produced in the same quantity by a company that launches and runs as a result of a microfinance loan as they are by larger multinational firms. Many microlenders concentrate on providing loans to people who reside in some of the world's most impoverished regions. For these neighboring areas where employment opportunities are limited, the jobs that these small firms generate are important. More inclined to spend their money in their local community is when residents of these small towns have higher incomes. This encourages regional economic expansion.

GLOBAL POVERTY

Supporters of microlending contend that providing low-income and disadvantaged families with the chance for long-term financial stability through these modest loans aids in breaking the cycle of poverty in the present generation and advances efforts to eradicate poverty worldwide for future generations. The world's gross domestic product will rise as more of these neighbourhoods develop and their local economies flourish, and the income gap between the richest and poorest individuals in the globe will narrow as a result.

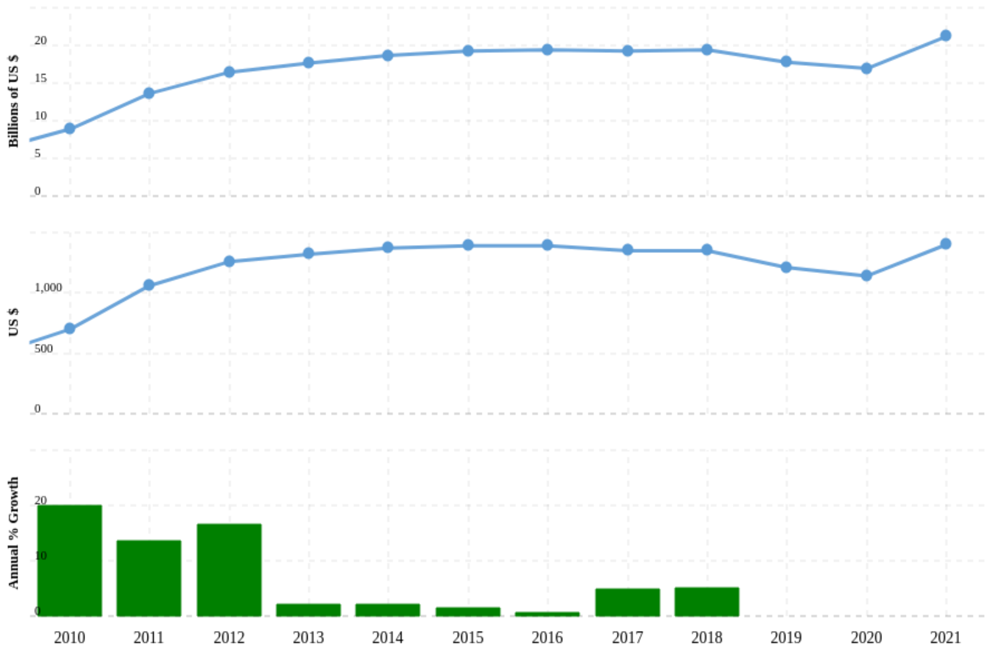
2.2.9 WAYS OF MEASURING DEVELOPMENT

Economic development can can be measured in different ways which include ;

Gross National Product (GNP) approach were gross national product for a country is studied for a given period of time were the ration between a nation output and the population size. The GNP measures the total market value of all finished products and services a nation produces in a given year. It is a gauge of economic output or the volume of output in a nation. A nation is considered to be more "developed" if it generates more per person.

GNP/capita

ForZimbabwe



Social indicators are also used to measure development of an economy (Baster N, 1972) an economists came up with a way of measuring economic development using social indicators, this is because they give clear picture of quality of life for example,

rate of literacy

expectation of life

medical care

consumption of calories infant mortality

HUMAN DEVELOPMENT INDEX (HDI)

The most common indicator of development is GNP per capita, although there are some serious issues with it. In order to measure each nation's level of development, the United Nations Development Program (UNDP) creates a Human Development Index each year. The life expectancy, education (adult literacy and combined secondary and tertiary school enrolment), and real GDP per capita make up the human development index (HDI).

2.2.10 WAYS TO MEASURE MICROFINANCE IMPACT

Outreach measurement

Typically, it contrasts the number, size, and group of borrowers getting loans. Greater outreach is presumed if smaller loans are given to borrowers at the base of the pyramid.

Social cost benefit analysis (SCBA)

Projects are assessed for their social or financial viability using social cost-benefit analysis (Stewart, 1975). Shadow pricing are frequently employed to estimate the cost and benefit to society. While social cost-benefit analysis in regular project management focuses on both the social cost and benefit, in microfinance it is typically used to evaluate the social benefit to the financial costs associated with producing the benefit. Increased income for borrowers, better health, better education, empowerment, and other social advantages could all result from microfinance. Analyzing the social cost-benefit Significant disparities in the effectiveness of microfinance institutions were discovered by Gutiérrez-Nieto et al. in 2007. They discovered that organizations that identified themselves as non-profits were more effective than for-profit organizations due to the cost savings achieved through volunteer effort.

Social return on investment (SROI)

The measurement of social finance and impact finance is still in its infancy. However, they aim to produce a social return in addition to the financial return, much like microfinance. It is described as the use of techniques, instruments, and tactics in situations where capital consciously and proactively seeks a blended value return (economic, social, and/or environmental) (Harji, Hebb, 2010). Through the provision of goods and services including loans, investments, venture capital, and of course microfinance, social finance seeks to have a positive influence. Thus, it serves as a catch-all phrase for financial services and products that aim to have a beneficial influence on society, the environment, or sustainability. Social finance can include social banking, impact investing, and microfinance. SROI is one idea that attempts to quantify the impact and is frequently applied in social finance. SROI assesses both good and negative impacts on society and considers that more than simply economic value is produced through a project or an investment. It does this by using a set of methods and indicators to assess the impact of a business, such as a social initiative or activity. SROI can demonstrate the effectiveness of social finance and assist investors in choosing wisely. Planning, managing, and evaluating company while considering consequences is beneficial. The idea entails creating indicators, defining their contents, addressing the possibilities and dangers associated with SROI, and ensuring continuous review

2.3 EMPERICAL REVIEW

The research that were conducted and released by some researchers are listed under the scientific evidence. Case studies and surveys are generally included in these. Many different academics from different nations have done a number of research studies in an effort to explain the effects of mfi. These studies emphasized the researchers' home nations and their respective economies, thus I had to produce this study on Zimbabwe's economic progress..

Tagamet (2019) used survey research techniques to conduct survey questions to a sufficient number of individuals in the micro, small, and medium enterprises sub-sector in Ikpoba Okha Local Government Area in Edo State, Nigeria, to investigate the impact of microfinance institutions on the reduction of poverty as well as entrepreneurial activities in the developing country of Nigeria. The analysis's findings indicate a significant and advantageous connection between microfinance institutions and the reduction of poverty in Nigeria. However, there was a slight but favorable correlation between entrepreneurial activity and poverty decrease.

Halimana (2004) studied on the impact of microfinance on enterprise and livelihoods of women and the poor in Zimbabwe. The study covered all major areas where ZAMFI member MFIs were concentrated. The researcher focused enterprise owned by women and further explored how MFI loans had impacted on the performance of these enterprise, individuals and their households. It was to the extent of which the twin objectives of poverty alleviation and women empowerment can be archived through microfinance. The study found that MFIs loan assistance was heavily biased in favour of older enterprise than young ones. Eighty-eight percent of MFIs beneficiary enterprises had been in existence for the last 2years and only 6% were in existence for less than a year. It also found that new enterprise had complications in regaining MFI finance, thus far they were in more need of such capital. The study recommended that MFIs should expand their focus to cater for other disadvantaged groups and new entrants who might have new and bright ideas. To this end the study reviewed that MFIs need to review their screening evaluation and monitoring mechanisms inoder to remain sustainable and reduce risk.

In a research published in 2010, Adams (2010) examined the effects of microfinance from the viewpoint of maize growers in Nkoranza, Ghana. The study's findings, which were based on a survey of 100 individuals, revealed that finance has a negligible effect on both social and economic well-being. The lack of business skills and a market for their produce was the main problem most grantees highlighted, and the main advice was the necessity of improving infrastructure and creating connections between the agricultural and non-agricultural sectors of the rural economy. It was discovered that microfinance had a negligible impact on the beneficiaries of the loan facility's social and economic well-being. Additionally, credit by itself cannot help farmers and lift them out of hunger.

Empirical research on the effects of microfinance banks on the Nigerian economy was conducted by Olakojo and Olanipekun in 2011. On time series annual data for the years 1992–2008, they used pooled regression and ordinary least squares econometric approach. The empirical results demonstrate that loans and advances from the banking sector have a favourable impact on the current level of economic output. Although loans and advances from microfinance banks have a favourable impact on the production of the manufacturing, building and construction, mining and quarrying sectors, the same could not be demonstrated for the agriculture sector, according to a sectorial study using ordinary least square (OLS). They came to the conclusion that microfinance banking is crucial to the economy's health since it not only offers financial support to small and medium-sized businesses but also to the real sector of the economy, hence accelerating Nigeria's economic growth.

In a survey of 16 different MFIs from across the world, Robinson (2001) found that clients' access to microfinance services improved their quality of life, boosted their personality, and helped them diversify their livelihood options for security, which in turn increased their income. The rural women of Tamil Nadu, India, discovered after a three-year study on 906 clients that their project had numerous favourable effects on their clientele. The initiative had a "good impact on livelihoods, social standing, and how people were treated at home and in the community, as well as on life standards and living standards." Some of the findings indicated that members were more likely to make big purchases on their own and to live in concrete homes with tile roofs, higher percentages of their children attending school, lower incidences of child labour, being the main provider of income or living in the home of the common provider. A notable rise in the ownership of the means of production, such as the animals, the machinery, and the land, was also evident in the consumers.

Maksudova (2010) conducted an empirical investigation of the contribution of MFI to the growth of the Czech Republic's financial industry and overall economy. In order to establish the relationship between microfinance institutions and economic growth, he used the Panel Data Approach in addition to the Granger Causality Test for 103 countries for the years 1995–2008. The majority of the research revealed a positive association between microfinance and economic growth, according to the evaluation of these earlier studies. While some had substantial effects, others had little effects.

Financial disruptions affect social connections due to their economic repercussions, according to Wooler and Brau (2004). Implementers of credit schemes have frequently asked that their work result in advanced social transformation, such as the empowerment of women and the reformation of gender relations in families and the community. According to Robinson (2001), financial services are not the only way to reduce poverty; other programs are required for the very poor, who must first find food and work before using banking services. Formal banks have a branch network under their control, are subject to supervision and regulation, provide a wide range of financial goods, and can operate both domestically and abroad. However, they have shown reluctance to take on humanitarian missions, and as a result of their high operating costs, they frequently are unable to provide services to isolated or impoverished populations (Karlan & Valdivia 2008). By boosting productivity and job prospects, microfinance is essential in fostering economic growth and development (Mago, 2013).

Research on microfinance and youth enterprise development was conducted by Mubaiwa (2014). The study examined the Kurera-Ukondla youth fund in Harare, Zimbabwe. This study examines the ways in which the Kurera-Ukondla Microfinance Youth Development Fund has aided young microbusiness owners in Harare, Zimbabwe, in growing their local enterprises. The study focused on 228 youngsters in Harare Province who had received microloans from the Kurera-Ukondla Youth Fund. Individuals were chosen at random from the cluster using a sampling methodology. A self-administered, pretested structured and semi-structured interview questionnaire was used to collect primary data. The research revealed that the microfinance scheme had no impact on the quantity of young businesses; Despite the Fund's great uptake, there was little depth to it. However, the microfinance programme had a beneficial impact on the efficiency of young microenterprises. The report suggests that more comprehensive company development services, such as business and technical skills training, mentoring, and market connections, be made available alongside microfinance for young firms. It also exhorts research in the future to investigate the best institutions and ways for funding young people.

More recent commentators on the millennium development goals (MDGS), which include (i) eradicating severe poverty and hunger; (ii) achieving universal primary education. Reduce child mortality, increase maternal health, ensure environmental sustainability, advance gender equality and women's empowerment, and create a global generation communication, by Littlefield et al. (2003), Simanowitz and Brody (2004), and the IMF (2005).

In his study Microfinance in Zimbabwe: A Historical Overview, Mago (2013), who used the historical analysis approach, offered a historical overview of the history of microfinance in Zimbabwe. Secondary sources were used to collect data on microcredit and microfinance. He disputed the assertion made by other scholars that the history of microfinance began in the 1970s, when Yunus launched microcredit programs in Bangladesh, and claimed that microfinance in Zimbabwe began in the 20th century. Understanding the contemporary microfinance sector benefits from knowledge of its history. Mago ignored the role that MFIs play in the socioeconomic well-being of Zimbabweans in favour of concentrating on the history, growth, and state of the microfinance industry in Zimbabwe.

According to Mishi and Kapingura (2012), Toindepi (2012), and Robinson (2001), microfinance is prejudiced against women when it comes to eradicating poverty, as seen by the fact that many MFIs specifically target women clients. MFIs contend that women spend a large portion of their income on home expenses, such as their daughters' schooling and health (Hulme and Arun, 2009). In African community settings, women play a key role in the raising and maintenance of the family, hence they are seen as essential to maintaining family welfare. Families can support female entrepreneurs and provide for their needs; yet, some research indicate that women have been unfairly denied access to loans and other financial services. According to Mishi and Kapingura (2012), the economic hardships afflicting the former breadbasket of Africa have made things worse for Zimbabwean women. One may argue that microfinance enables women to be more independent and contribute significantly to the wellbeing of their households and the economy as a whole. As the saying goes, teach a woman, and the world will be educated. According to Guérin (2006), the majority of microfinance programs specifically target women, which is why these services are viewed as important development tools. As a result, it is thought that any assistance given to a low-income family through a woman will likely have a greater positive impact on the family than assistance provided through a man.

2.4 RESEARCH GAP

The purpose of the study is to cover up any gaps left by previous investigations into microfinance.. Consequently, in Zimbabwe studies were done by many researchers but they mainly focused much on the influence of MFIs on SMEs, women empowerment, poverty alleviation and agriculture. This research is different from others because it focused on economic development and includes microfinance activities. This has left a gap on economic development brought about by MFIs. Therefore the study contribute to the literature by assessing the impact of facilities offered by MFIs to the development on the economy of Zimbabwe.

2.5 SUMMARY

The previous chapter covered a range of topics related to microfinance and economic growth. Microfinance offers financial assistance to members of society who are unable to obtain support from banks. It has the power to encourage entrepreneurship, social and economic development, and reduce poverty in underdeveloped nations. Microfinance companies, however, are subject to credit risk. The banking firms work hard to keep a suitable credit framework in place to reduce their risks. This chapter has evaluated the theoretical and empirical literature that some previous researchers had produced before this study was conducted, and it has clearly demonstrated the gap. The researcher will examine the research methods in the following chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter evaluated the researcher's data collection techniques and provided a full review of the research design, sampling, instruments, data collection strategy, and data analysis plan utilized in the study to ascertain the effect of microfinance on Zimbabwean economic development. The methodologies and approaches used were thought to be sufficient and were intended to primarily address the research objectives and study issues**.**

3.1 Research Design

The framework of the research methodologies and procedures a researcher selects to carry out a study is known as the research design. The layout enables researchers to focus on developing research techniques appropriate for the topic and set up their investigations for success. According to Cooper et al. (2005), a research design is a strategy and organizational framework for gathering data to address specific research objectives. The researcher chose a descriptive study strategy because it provides for the collection of raw data and the concise description of scenario elements for both quantitative and qualitative data analysis (Hart,1998). It lessens error and aids in gathering empirical data showing the links between variables for the researcher. A research plan is established on how to gather, analyse, and evaluate the data before probing a solution to the issue. In the study, the researcher used the variables indicated in a mixed research design technique.

3.1.1 Justification of Research design

Microfinance and economic growth are the two key factors in this research study, and it is crucial that both the quantitative and qualitative validity of these variables be established. Due to this, It is necessary to use a hybrid research strategy based on the pragmatism philosophy (Creswell 2014). A mixed methods research design is a way for compiling, analysing, and integrating quantitative and qualitative research and approaches in a single study to understand a research problem.

3.2 Research Population and sampling

3.2.1 Research Population

A population is a well-defined or set of people, services, elements, and events, group of things or households that are being inspected. Polit and Hungler (1999) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. Since there are many MFIs in Zimbabwe 220 in total, with 187 registered MFIs to date being the selected targeted population by the researcher. This target demographic was deemed suitable for the study since unregistered MFIs frequently fail to maintain accurate and current records, which may prevent them from providing the necessary information. It is necessary to choose a sample that represents 13.36% of the total number of microfinance institutions under consideration.

3.2.2 Research Sample

Sampling is the process of choosing a subset of the population to represent the complete population. Population sample, according to Molenberghs (2011), is the subset of the population being studied.The institutional size of microfinance in the financial sector of Zimbabwe is larger therefore a sample population of five (5) microfinance institutions which include EmpowerBank Limited, Fidelity Life Financial Services (Pvt) Ltd, Success Microfinance Bank Limited, Homelink Finance (Pvt) Ltd and Zimbabwe Womens Microfinance Bank Limited (ZWMB) were selected. Purposive sampling, a non-probability sampling approach, was employed to calculate the sample size for this investigation. From each MFI, only five responders will be chosen. Managers (20%), loan officers (40%) and employees (40%) made up the target population.

Purposive Sampling

As a type of non-probability sampling, purposive sampling refers to the deliberate, non-random selection of the sample by the researcher in order to meet specific objectives. In this case, the researcher "hand-picks" the sample (Polit & Hungler, 1999). Purposive sampling's major objective is to concentrate on particular demographic features that are relevant to the research subject at hand.

Table 3.1: The Composition of the Study Sample

Type of respondents	Number of sample
managers	5
Loan officers	10
employees	10
total	**25**

Source: Primary Data

3.3 Data Sources

Time series data was collected over the period 2010 to 2020, *Human Development Index, Gender Empowerment Index, Economic Stability* development measure and *Outreach measurement, social cost-benefit analysis* (SCBA) and *social return on investment* (SROI) served as proxies for the variables. In this research study, primary data and secondary data were both employed as data sources. While secondary data will be gathered via reports, published financial accounts, and other essential correspondences, the primary data will be made up of information from interviews and questionnaires that were administered.

Primary data

Data gathered by the researcher through questionnaires and interviews conducted especially to comprehend and address the current research issue. Study that has required the collecting of unique data tailored to a given research endeavour is referred to as primary research (Gratton & Jones, 2010). When conducting primary research, the researcher collects data from sources other than databases and other published materials. Creating new knowledge is a common objective of this kind of research.

Secondary data

Data that is gathered by a user other than the main user is referred to as secondary data. Census data, information gathered by government agencies, company records, and data that was initially gathered for other research goals are all common sources of secondary data for social science. Research that has already been published in research reports and other comparable papers is considered secondary research. Public libraries and websites may be able to provide access to these documents.

3.4 Research Instruments

A research instrument is a device used to gather, gauge, and analyze data pertaining to a study topic. The data collecting instruments, according to Creswell (2014) and Annum (2017), are the tools the researcher utilizes to actually obtain the information needed for the study. Primary or secondary data sources might be used as research instruments. Both primary data and secondary data were collected for the investigation. Secondary data was gathered via reports, published financial accounts, and other essential correspondences, while primary data came from case studies conducted by other researchers, interviews and questionnaires.

3.4.1 Case study

A case study is a type of research methodology that produces a thorough, multifaceted understanding of a complex problem in its actual setting. It is a well-known research strategy that is widely applied across numerous academic fields. A case study makes it easier to investigate a real problem in a specific setting while utilizing a range of data sources (Baxter et al, 2008).

3.4.1.1 Justification for case study

- Describe a situation
- Identify key issues of the case
- Analyse using relevant theoretical concepts
- gives the opportunity to gain a greater understanding of the subject
- reduces potential bias

3.4.2 Interviews

Data on a wide range of issues are gathered from a small group of individuals during interviews. Both scheduled and unstructured interviews are options. Unstructured interviews are a type of data gathering that rely on participants being questioned in order to get information about a subject. Unstructured interviews, sometimes referred to as non-directive interviewing, have no predetermined format and do not have prearranged questions. While structured interviews are similar to questionnaires in that they ask the same questions about each subject in the same order and provide multiple choice answers. In this instance, the researcher employed unstructured interviews with managers and loan officers from MFIs who had prior experience working in Zimbabwe's financial industry.

3.4.2.1 Justification for interviews

- yield captivating responses
- it is flexible to use
- participants are more at ease
- reduce risk of bias

3.4.3 Questionnaire

A questionnaire is a research tool made up of a list of questions used to collect data from respondents during a survey or statistical analysis. Typically, a questionnaire survey will have both closed-ended and open-ended questions..

3.4.3.1 Justification for questionnaire

- cost saving
- reach people quickly
- flexible for respondents
- data accuracy

3.4.4 Documents

The investigator used documents related to microfinance, including yearly reports, RBZ circulars, national micro - finance policies, and survey materials from various organizations and people..

3.4.5 Journals

Reputable researchers' journals on microfinance and economic development were consulted to gather data for the study. The researcher was able to save time because they were easily accessible through numerous academic libraries

3.4.6 Internet

The internet was the most valuable source of data for this research. It provided data for the researcher; it was a source for most recent microfinance activities in economic development and financial economics.

3.5 Data collection procedures

Data collection is the method of acquiring and analysing information on relevant variables in a planned, methodical way that makes it possible to respond to specific research questions, test hypotheses, and assess results.. The researcher mainly used online sources to acquire secondary data obtained from reports, financial statements, statistical data by the world bank, MIX market (Microfinance Information exchange) and RBZ. Primary data in the form of interviews was done through visitations to five selected registered MFIs in Harare which include EmpowerBank Limited, Fidelity Life Financial Services (Pvt) Ltd, Success Microfinance Bank Limited, Homelink Finance (Pvt) Ltd and Zimbabwe Womens Microfinance Bank Limited (ZWMB). The researcher had to ask for permission from the company owners by explaining the purpose and importance of research study. Appointments for interviews was done through sending emails to the company managers, and it only took a week to conduct the interviews as respondents were eager to participate. Questionnaire were sent through the respondents personal emails for answering right after the interviews.

3.6 DATA PRESENTATION AND ANALYSIS PROCEDURES

Data presentation, according to Kothari (2007), is the process of conveying gathered and summarized information to end users in a way that is clearer, easier to grasp, and more accurate. This analysis's goal is to discuss the study's goals in relation to the effect of microlending on Zimbabwe's economic growth. Applying the suitable statistical or logical procedure to the raw research data is an example of data analysis. Frequency and percentage proportions of the connection statement were utilized to establish the link between microfinance and economic development. The researcher presented data in using graph and tables. Analysis was done using Microsoft Excel. The use of tables as tools for data display lessens their capacity to categorize various data with clarity. There will also be use of pie charts, bar graphs, and graph. Their decision is primarily based on visibility and their capacity to more clearly display patterns.

3.7 Reliability and Validity

Concepts like validity and reliability are used to assess the caliber of research. They demonstrate how effectively a methodology, method, or test measures something. Validity is concerned with a measure's correctness, whereas reliability is concerned with its consistency. Particularly in quantitative research, reliability and validity should be taken into account while planning your methodology, designing your study, and reporting your findings. How consistently a method assesses something is described by its reliability. The same approach should yield the same results when applied to the same sample under the same circumstances. If not, the measuring system might not be accurate. The reliability of a research study's findings in predicting actual outcomes among people who behave similarly outside of the study is referred to as validity. All categories of quantitative investigations fall under this validity idea. By utilizing interviews with experts in the microfinance industry and analysis methods, reliability and validity were made achievable.

3.8 SUMMARY

The purpose of this chapter was to discuss the data gathering and research design processes. Additionally, it described how data for the study was acquired from both primary and secondary sources. The researcher used variety of research tools such an interview, case studies in order to collect accurate information from both respondents and other researchers. Online sources were used for authenticity such as journals and documents. Population sample and sampling techniques were also discussed. The next chapter intends to present, analyse and interpret the main findings of this research which will be used to come up with the relationship between microfinance and economic development.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

The examination of the results in light of the study's objectives and methodology will unfold in this chapter. Results on how microfinance has affected Zimbabwe's economic development are presented. This chapter examines the effectiveness of microfinance initiatives in Zimbabwe to see whether they have aided in the country's economic growth. As was said earlier in chapter three, the chapter was primarily concerned with presenting and analysing the results from the research tools utilized by the researcher. The data was presented using a number of formats, including tables, graphs, pie charts, and histograms.

4.1 Questionnaire Response

According to Harnett and Murphy (2012), the term "response rate" refers to the proportion of distributed questionnaires that were returned to the researcher.18 questionnaires with a 72% rate of the target population of 25 respondents were returned. An example of how the participants responded to the surveys is shown in the table below.

Table 4.1.1 Questionnaire response rate

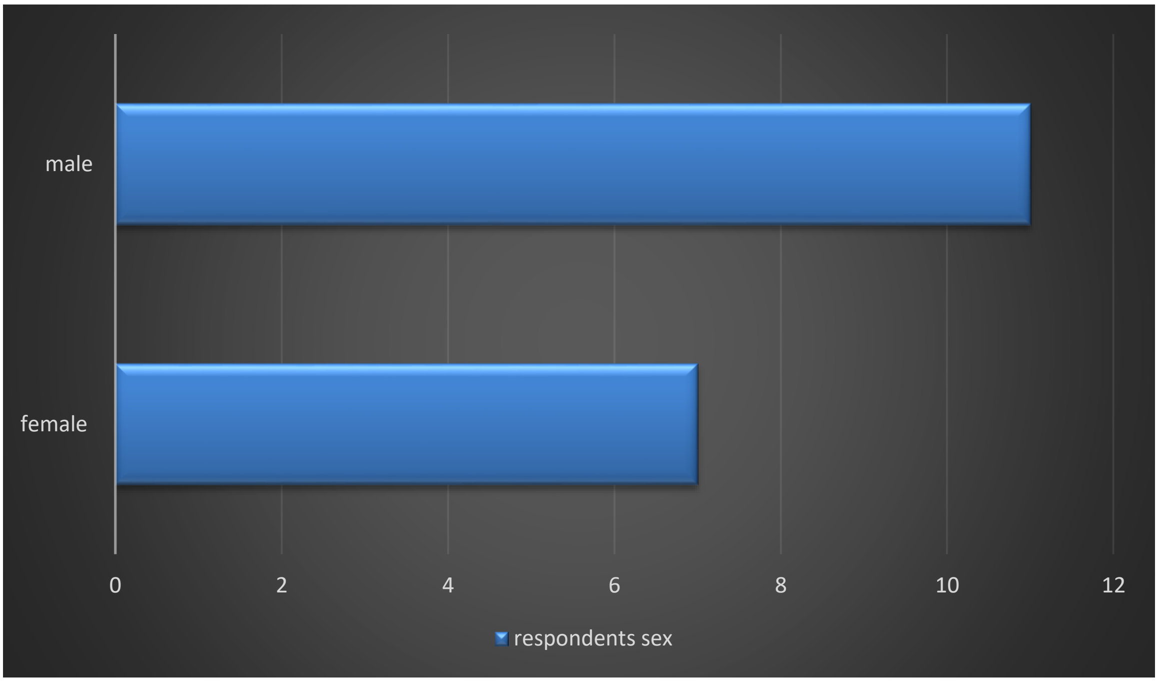
Respondents	Number of sample	Questionnaire Returned	Response rate %
Managers	5	4	80%
Loan officers	10	6	60%
employees	10	8	80%
TOTAL	**25**	**18**	**72%**

Source: Authors compilation

As revealed by the overhead table, of the 5 forms dispersed to managers 4 were returned (80%), from 10 loan officers 6 were returned (60%) as a result of their tight schedules and from 10 employees 8 responded back (80%). The average response rate to the surveys that were distributed was 72%. Kahn and Carnell (2014) make reference to the need for a high and superior response rate of roughly 70%. As a result, the researcher was able to receive a response rate of over 70%, which gave them a better representation of their sample population. Face-to-face conversations were used to interview the respondents in order to get corroborating data. Interviews with fifteen members of the sample group, including managers and loan officers, were conducted. The responses to the open-ended questions were extremely thorough. As a result, the interviews had a 100% response rate.

4.2 Demographic characteristics of MFI Respondents

Fig 4.2:1 Respondents by sex

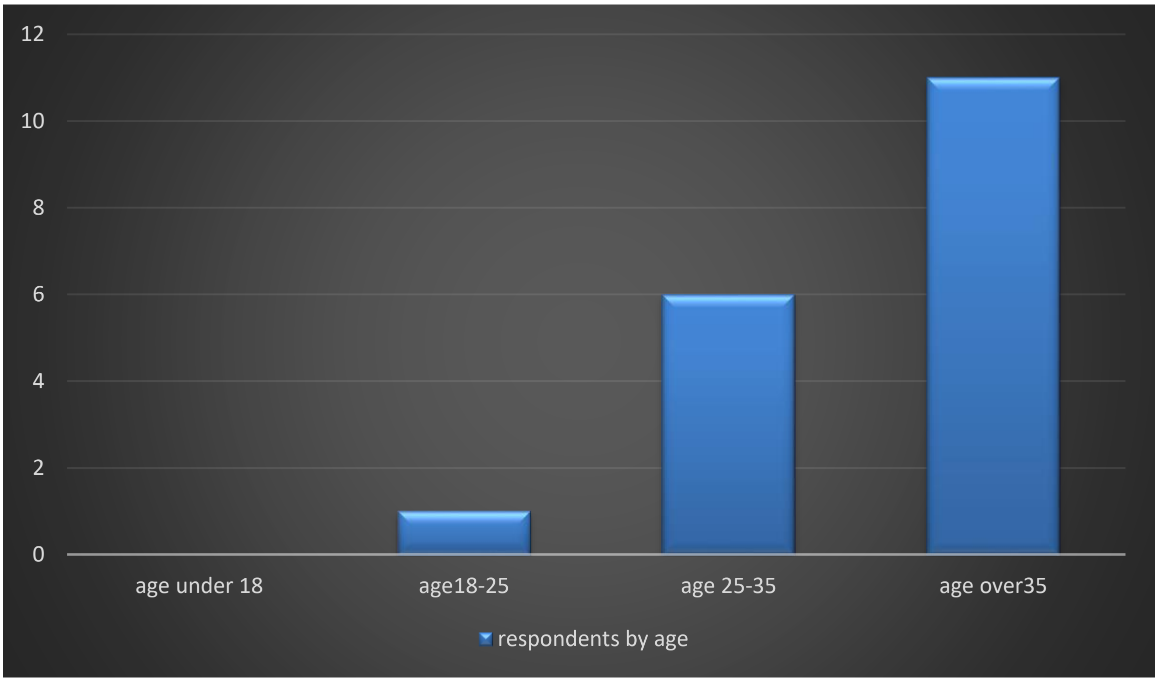


Source: Primary data

N=18

The respondent has to list their gender as the first requirement on the form. Gender was one of the main characteristics the researcher was looking for in this research. In the above chart it showed an analysis of respondents by sex which clearly shows that there was no gender bias as both male and female took part in responding to questions. A bar chart that was created when the data was entered into an excel spreadsheet which supports the conclusion that there was no gender bias. Of the 18 responses, 11 participants were men and 7 were women. According to Fig. 4.2.1, which is located above the results of gender, this represented a percentage of 61% and 38.9%, respectively.

Fig 4.2.2 Respondents by age

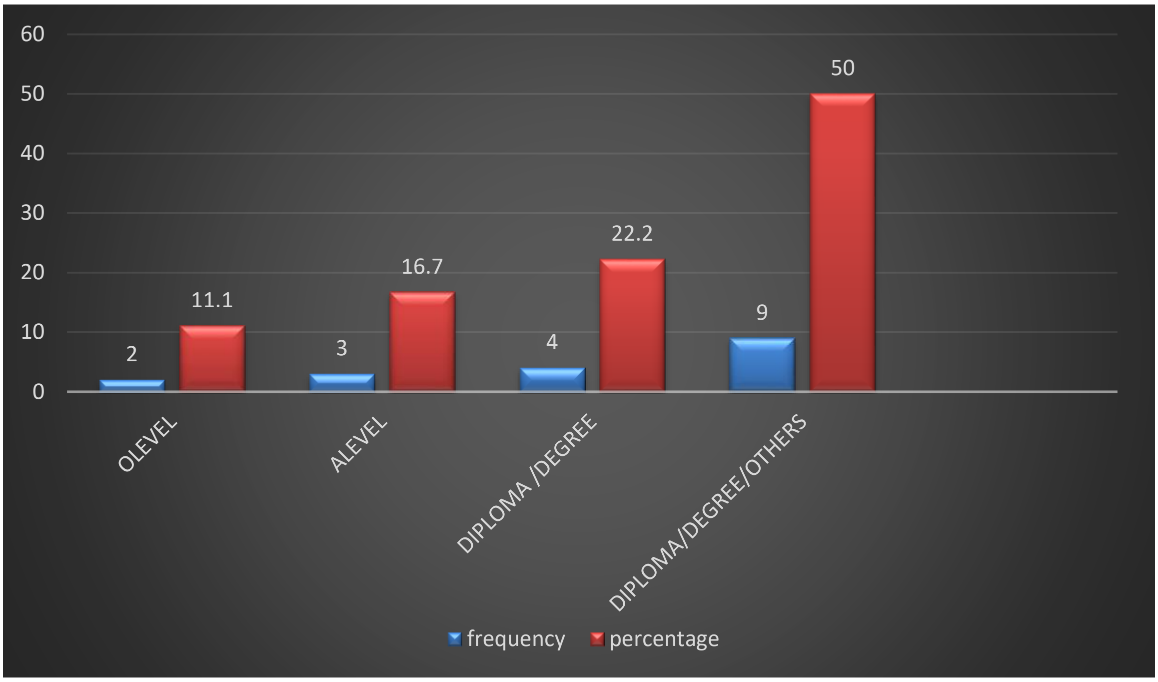


Source: Primary data

N=18

Only 18 of the 25 questionnaires given to the chosen MFIs for response were returned, and those who did so specified their age group in accordance with the instructions.. Information was given as above in Fig 4.2.2, respondents range from age 18 up to over 30 years. Two respondents were aged 18-25, six respondents were aged 25-35 and eleven respondents aged over 30. From the given data it clearly showed that there are a number of individuals who are over 30 indicating the level of maturity and knowledge of respondents within MFIs.

Fig 4.2.3 Level of education qualifications

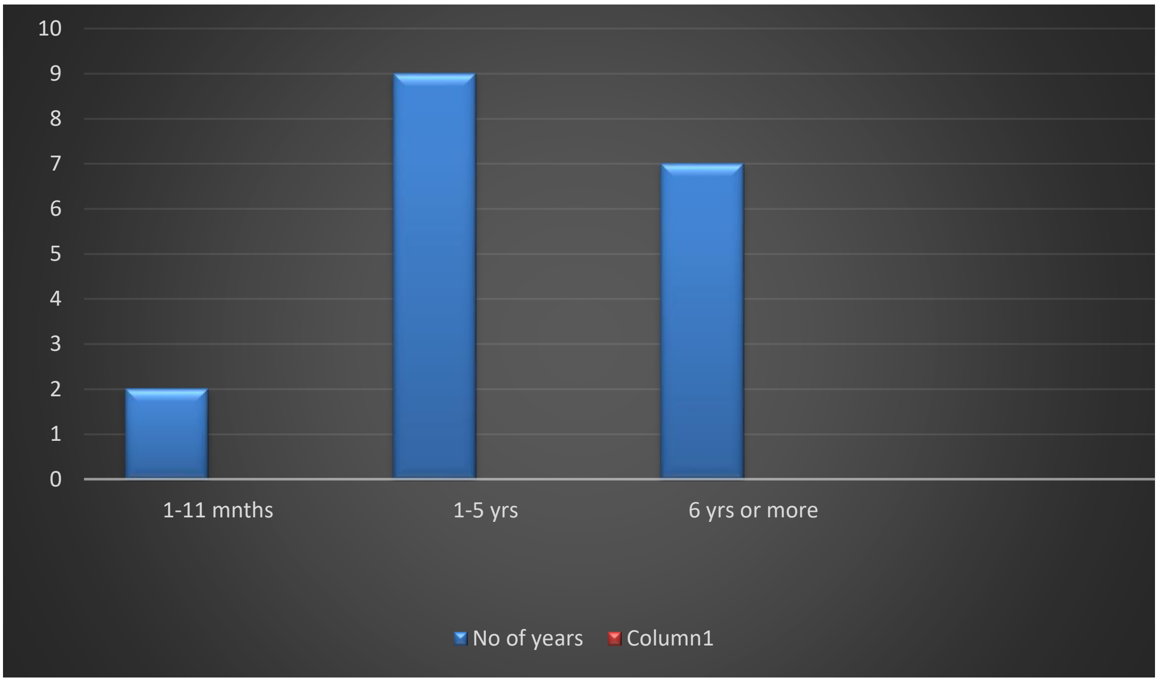


Source: Primary data

N=18

The level of schooling has impacted the means in which the respondents responded to some of the questions positively since the researcher hand hand-picked the type of respondents. The study looked at the MFIs activities and economic development point of view. The information was intended to be gathered from individuals with first-hand knowledge of MFIs who could offer their thoughts and assessments of how MFIs are working, the services being offered, and the barriers to doing business. Among the 18 responses, 9 were managers and loan officers, and the remaining 50% were people with different degrees and diplomas. 2 O level grads (11.1%), 3 A level graduates (16.7%), and 4 post grad degree or diploma holders (22.2%) made up the remainder. This information was entered into Excel, and an example of it that combines a table and a clustered column is provided below.

Fig 4.2.4 Respondents Exposure of working in MFIs



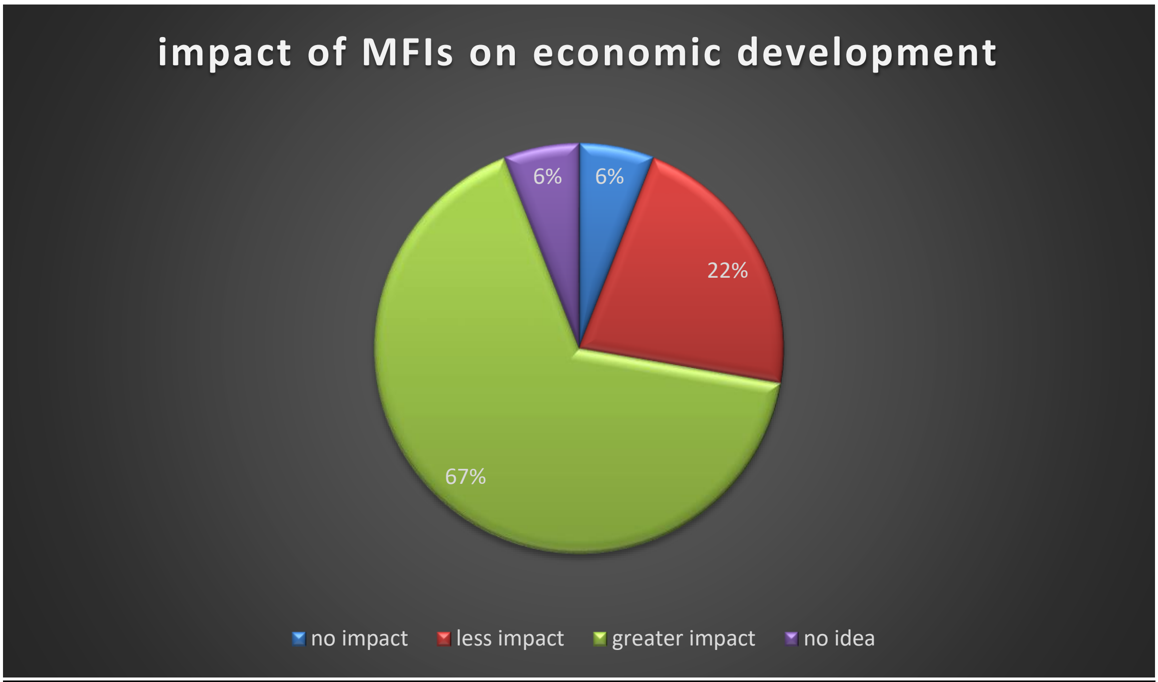
Source: Primary data

N=18

According to the study's findings, people who had worked for between one and five years and more than six years had the highest response rates, as depicted in Fig. 4.2.4 above. This was mostly caused by the fact that the majority of MFIs were just getting started. These responders were either recent hires from other organizations or long-term employees who had been there for close to five years. Only two individuals have worked for one to eleven months, nine have worked for one to five years, and seven have worked for six years or more.

Research goals: To assess how microfinance influences economic development.

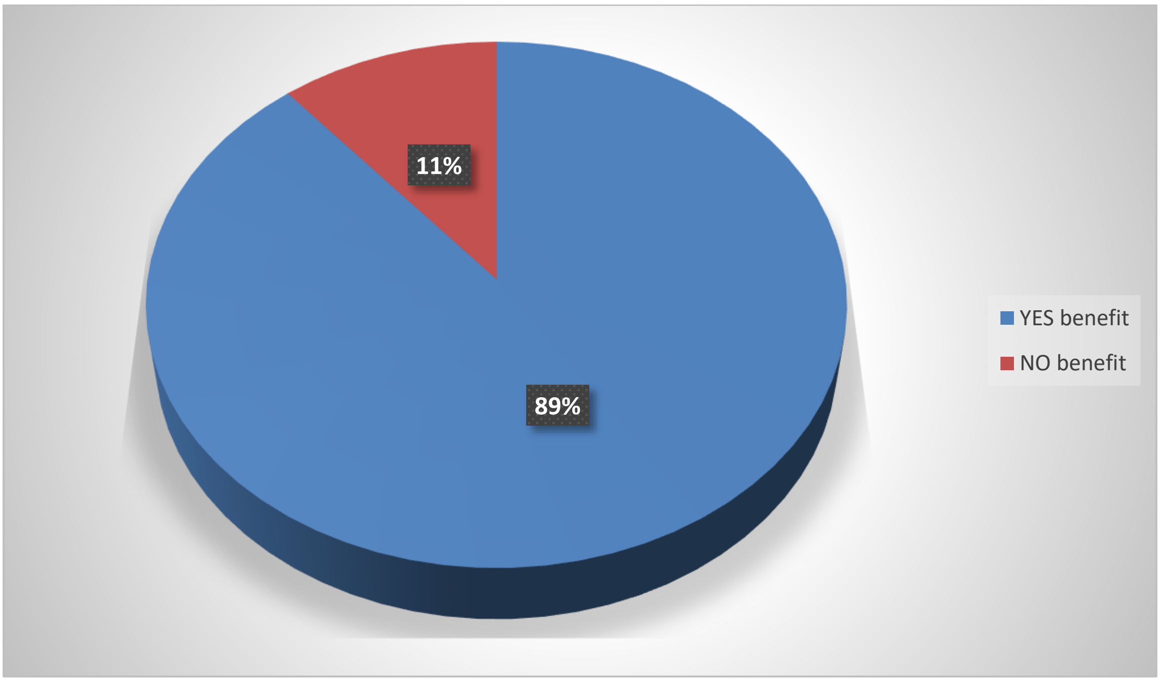
Fig 4.2.5 Impact of MFIs in the economy



Source: Primary data

Respondents were asked to rate whether there was NO Influence, LESS IMPACT, GREATER IMPACT, or NO IDEA that the services provided by the institution benefitted the economy of Zimbabwe in order to assess the impact of MFIs on economic development. The results are displayed in Fig. 4.2.5. Out of the 18 respondents that responded in writing, 12 gave a higher impact rating (67%), 4 gave a no impact rating (22%), and 1 person gave both a no impact and no idea rating (6%). This data was utilized to evaluate the effect of microfinance activities on Zimbabwe's economic development, and it was evident that there is a higher influence.

Fig 4.2.6 MFIs benefit of economy, society and women



Source: Primary Data

N=18

To evaluate the gratification of the services offered and the activities of MFIs in the economy, questions were asked on the questionnaire if "MFIs benefit individuals in the economy? and does MFIs benefit society and women, how?" respondents gave their response as a result of feedback the given by customers, clients and women in general. Only 16 out of the total number of respondents firmly agreed with the assertion that the MFI's services had enhanced their social well-being. Thus, a frequency was calculated from the responses as 88.8% said yes and 11.1% stated no. Data it presented clearly with the above pie chart on Fig 4.2.6. The results are remarkably similar to those of Mutengezanwa et al. (2011), who claimed that 80% of respondents agreed that the money they received from MFIs had improved their social well-being because they could now afford decent food, access to education, live in better homes, and send the sick to better healthcare facilities. According to the findings, the majority of the respondents now have access to education and health facilities, which indicates that MFIs are playing a crucial role in economic development.

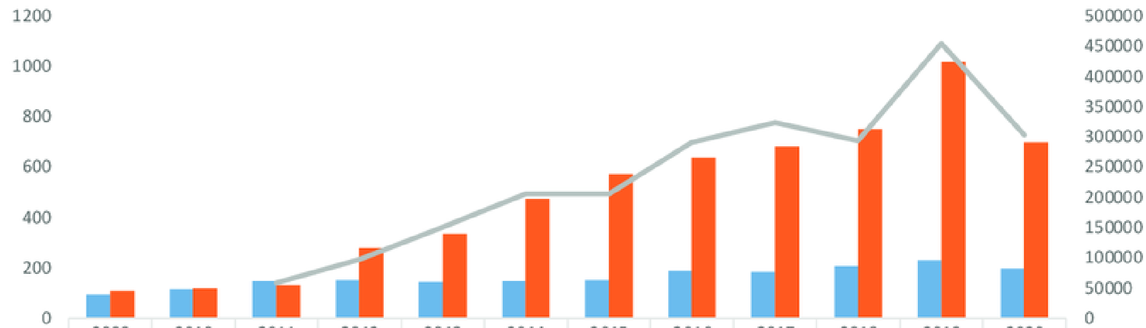
4.3 Measures of microfinance activities impact in Zimbabwe

Impact of microfinance in measured using outreach size, societal return on asset and social cost benefit analysis of the selected MFIs in Zimbabwe.

4.3.1 Depth of outreach

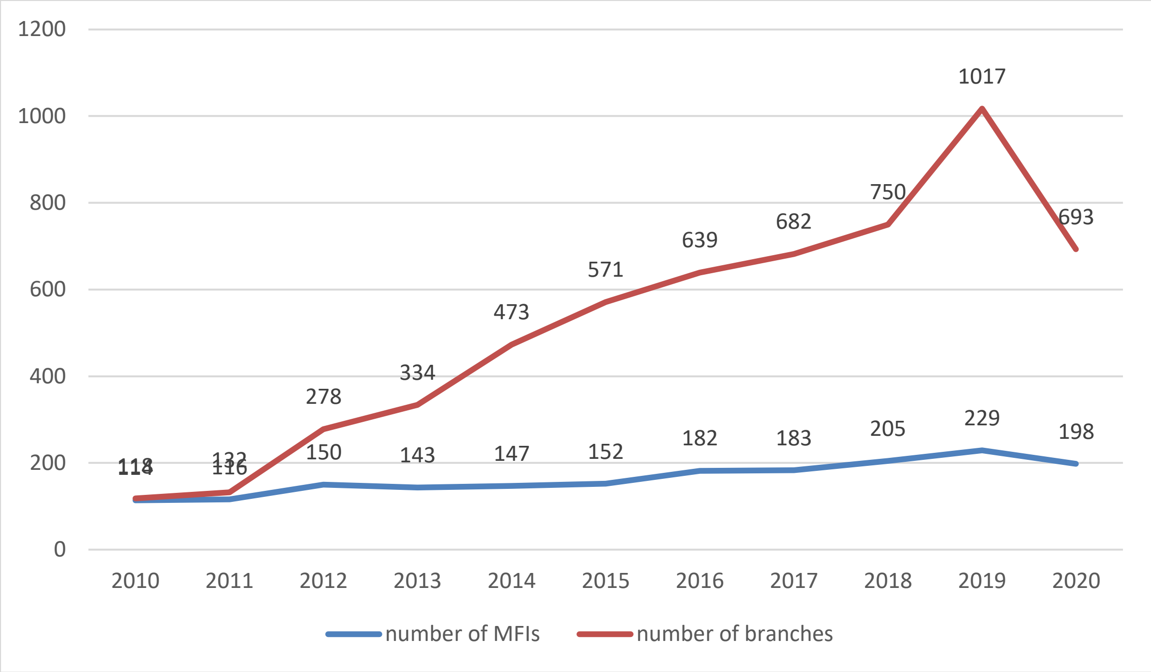
Microfinance has targeted a large clientele base in the economy of Zimbabwe. Target audience may be dictated by age, gender, income, location, interests or a myriad of other factors. From the responses of interviews, it clearly showed that MFIs has client individuals which include entrepreneurs and small businesses, Poor and low-income individuals, women, self-employed. Fig 4.3.1 below clearly shows number of MFIs in Zimbabwe and the branches they have managed to secure including the total number of clients they have reached. From the period 2010 up to 2020 which is under study shows an increase in the number of clients and MFIs. Although there has been a decline in clients and MFIs from 2019 it clearly showed a sharp decline in MFI branches which lead to in a sharp fall in the number of customers active this was as a result the lockdown condition posed by COVID19.

Fig 4.3.1 Outreach measurement



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
MFIs	95	114	146	150	143	147	152	185	183	205	229	198
Branches	106	118	132	278	334	473	571	639	682	750	1017	697
Clients			58325	96749	150188	205282	205940	290552	323286	293919	454428	303323

Source :RBZ Microfinance Industry Reports (2015-2020)



Source: RBZ microfinance annual reports (2010-2020)

Research objective: To determine the challenges faced by MFIs in developing economies

4.4 Challenges faced by MFIs

Participants said that MFIs are typically discovering it challenging to operate in their current climate. Based on the comments, political turmoil and security issues are the two biggest problems MFIs are now facing. Some claimed that an excessively strict regulatory framework makes it difficult for MFIs to operate, while others mentioned technological difficulties. Others mentioned competition, poor managerial skills, hyperinflation, high interest rates, a currency shortage, high unemployment, high poverty rates, the general reduction in real incomes and standards of living, as well as the erosion of the industrial base. Furthermore, same issues were documented by Mutengezanwa et al. (2011) and Mutambanadzo et al. (2013). However, a number of respondents suggested mitigating actions such entrepreneurship education, financial deregulation, training, and employee performance evaluation

Presence of banks

The four managers who were interviewed underlined that banks do have an impact on MFI performance. Despite the fact that certain banks provide support for MFIs and that there is fierce competition from other MFIs and other informal lenders (especially with the cash crisis in this multi-currency system). Studies by Marulanda (2005) provide evidence that the threat of competition from banks and other formal intermediaries is greater than the threat posed by informal moneylenders to current MFIs. This may be explained by the fact that the study concentrated on MFI activities in underdeveloped nations while Marulanda (2005) was centred on wealthy Latin American governments. The disparity between the economies of Zimbabwe and America can be further explained by the fact that America, a developed nation, has a large number of commercial banks and more formal, regulated financial intermediaries. Dorado (1998) continued by arguing that more competition is always a good thing because it promotes technological efficiency, increases outreach quality, and broadens the range of services available.

Funding

The majority of MFIs are having trouble raising cash since they are dealing with funding issues. This further suggests that the main obstacle is a lack of financing. In their study results, Mutambanadzo et al. (2013) highlighted that money was by far the biggest barrier to the expansion of MFIs in Zimbabwe. Personal funds, Donor funds stood as the next biggest source of funding, while including Government grants, foreign funding and other sources. Rhyne (2006) also emphasized that MFIs were having difficulty securing foreign investment, and that relying on local funding was risky given how difficult it was to do so. MFIs have been forced to rely on banks to help them achieve the state's mandated minimum capital requirement of US$2000000. (RBZ,2016). Christen and Rosenberg (2000) backed this up by emphasizing the alternative of MFIs borrowing from banks.

Poor management skills

Because microfinance is so important to a nation's economic growth, management of the institutions must be highly qualified and knowledgeable in order to carry out their jobs successfully. Results show a clear relationship between management ability and financial results, according to Hudon (2006). Each of the four dimensions—leadership talents, technical proficiency, organizational prowess, and communication skills—advances the performance of MFIs. Hudson (2006) is supported by Tucker (2001), Armendariz and Morduch (2005), who go on to say that management is a key factor in encouraging the expansion of MFIs

Capital accumulation and sustainability

Concerns about sustainability and capital have also been a challenge for Zimbabwe's microfinance industry. The $5 million minimum capital requirement for MFIs in Zimbabwe has proven to be an extremely difficult obstacle, and many MFIs have left the system as a result. As the MFIs struggle, they will require a stable source of funding and expansion in order to survive**.**

Poor management systems

According to RBZ (2013), weak risk management procedures, limited ICT infrastructure, and poor record management are limiting the majority of Zimbabwean MFIs. Due to financial constraints and an inability to develop and retain talent, the microfinance industry is suffering from a dearth of crucial bookkeeping, credit analysis, and administrative skills. The organizations' ability to manage risks resulting from their operations has been adversely impacted by this. The ability of MFIs to obtain reliable ICT solutions to support their operations has also been impacted by insufficient funding. The capacity of institutions to submit regulatory returns has also been hampered by poor information management system, which makes it difficult to track the performance of the microfinance sector and make evaluations of financial stability.

4.4.1 OTHER PROBLEMS ASSOCIATED WITH MICROFINANCE

Dependency Syndrome

Typically, one nation where income inequality is still rife is Zimbabwe. While a significant portion of the populace lives below the poverty line, some people nonetheless earn far more than the cut-off. Therefore, microfinance institutions offer low-income and underprivileged people a chance to increase their incomes and adopt lifestyles that are closer to the datum line. When borrowers continuously depend on the opportunities offered by microfinance institutions and would suffer severe harm if that funding were to be denied, this condition is known as the dependence syndrome. The largest contributor to the suffering is spending that is mostly done for consumption. Even worse, entrenched customs or rather lifestyle patterns are difficult to discard, so borrowers keep borrowing, which eventually tends to escalate into a vicious cycle. The dependency syndrome defeats the purpose of microfinance with regards to alleviating poverty. Whilst borrowers are over time expected to graduate from microfinance to mainstream finance, they are trapped and made even worse off.

Interest Rates and Charges

There are significant responses to the MFIs' recently judged extremely high interest rates imposed on borrowers. Fernando (2006) asserts that the large transaction costs spent in relation to the loan quantities granted by MFIs, as opposed to the high cost of capital, are the true causes of the high perched rates. Long-time proponents of microfinance have argued that such high rates of interest are essential since it is impossible to lower the cost of making each loan below a certain point while still allowing financial institutions to recuperate even the general administrative expenditures, such as offices and employee salaries. In order to benefit from and effectively repay their loans, MFIs borrowers also require intensive supervision and engagement with loan officers, which may entail an achievable significant cost. David Roodman (2007) contends that in mature markets, the average fees and charges levied by microfinance institutions tends to decline over time. However global average interest rates for microfinance loans are still well above 30% monthly with extreme cases of 50%. In Zimbabwe, the central bank has since called for the elimination of interest rate maximums as they are deemed to discourage outreach to poorer customers. MFIs have therefore been allowed to charge rates of interest that enable them to cover costs and also to promote competition amongst them

Research objective: to assess how microfinance operate and the services they offer

4.5 services offered by MFIs

Microfinance institutions offers services to do with Deposit accounts, loans, salary solutions, agency banking partnerships, money transfers, insurance and investment management, mobilize foreign currency and other products and services are among those that are available alone or in product bundles.

4.6 Reasons behind MFIs operations

Since the 2008 era Zimbabwe has been facing economic hardships as a whole. It resulted in a variety of economic matters, such as hyperinflation, high interest rates, a lack of foreign currency, massive unemployment, a high prevalence of poverty, a general drop in real incomes and standards of living, and the loss of the manufacturing economy. Operations of MFIs were becoming noticeable as their operations were rising since 2009 in the quest to curb the downfall of the economy. Through Empowering women in particular, Poverty alleviation in societies, Development of small and medium enterprises, Deliver financial services for the poor and informal sectors such as farming.

4.7 Appropriateness of government intervention on MFIs operations

Governments can support the transition to sustainable, market-based microfinance as it develops by playing three key roles: lending, undertaking regulatory reform, and improving the business environment. Eliminating unfair competition from public institutions through acting to ensure transparency and reinforce market mechanisms by mandating specific line item budgetary disclosure and annual reporting for all government microfinance activities. Pay attention to macroeconomic stability bolster the banking industry, Build infrastructure, especially in rural regions, and promote the creation of credit scoring systems

4.8 Discussion of findings

The determination of this study was to evaluate the impact of microfinance on economic development in Zimbabwe. MFIs continue to play a critical role in promoting economic growth, development, and the creation of jobs on a global scale by supporting microentrepreneurs and small businesses. In this situation, microfinance has continued to play an important role in breaking the cycle of poverty and improving the standard of living for low-income and marginalized households, particularly for women. Given its significance in achieving the Sustainable Development Goals (SDGs) and driving economic development, microfinance was acknowledged as one of the primary pillars of the Zimbabwe National Financial Inclusion Strategy (2016-2020).

Through the adoption of technology advancement MFIs has managed to provide an impetus microfinance outreach including remote areas. Some MFIs have even managed to partner with mobile network operators for digital service operations so to avoid long lines at the bank and to cater for those who are unable to visit the institution. Moreso establishment of microfinance banks that are specifically mandated like ZWMB with the empowerment of women who constitute the majority of population in Zimbabwe and the young people contributed to the growth of microfinance outreach. Studies by Mubaiwa (2014), who focused on the promotion of entrepreneurship among young people through the Kurera-Ukondla youth fund, provided support for this. Additionally, research by Toindepi (2012) and Robinson (2002) sees microfinance as a strategy that is biased towards gender when it comes to eradicating poverty, as seen by the fact that many MFIs specifically target clients who are women. According to MFIs, mothers spend a large portion of their income on home expenses including their daughters' schooling and their own health. With a focus on female empowerment, Halimana (2004) also conducted a study on the effect of microfinance on women's livelihoods. However, the study revealed some bias in favour of older businesses as opposed to younger ones.

In assessing the impact of MFIs on economic development a greater percentage of respondents were indicated there is a greater impact of microfinance on economic development. This meaning that the services offered by the institution has improved the economy of Zimbabwe and the results obtained are shown above. It has improved through covering a large outreach of MFIs in number of branches and the clientele base. This follows the claims by King and Levine (1993) as well as Qayyum et al. (2007) who both advocate for financial development via microfinancing as a vital tool for driving up economic growth. They believe that extension of funding to the poor, especially with entrepreneurial foresights presents clearer prospects for upsurges in production and output.

There is no doubt that MFIs confront a lot of difficulties as a result of the state of the economy and organizational structures. Due to the high levels of debt, this has caused MFIs in developing countries to operate poorly. This is corroborated by a study conducted by Mago (2013), which found that MFIs' high interest rates contributed to their clients' high levels of debt, which had the unfavourable consequence of undermining the goal of microfinance financial inclusion. Robinson (2001) adds that structural difficulties contributed to MFIs' difficulties

Because a higher number of respondents to the questionnaire said that MFIs had a favourable impact on economic development, the data presented above clearly demonstrated a positive association between microfinance and economic growth. Research by Maksudova (2010), who looked at the contribution of microfinance to the growth of the financial industry in the Czech Republic as mentioned in chapter two, can be used to support this. The study also revealed a favourable connection between microfinance and economic expansion**.**

4.9 Chapter Summary

The research findings from the study were presented and examined in this chapter. Research findings were given, followed by analysis and a discussion of their ramifications. To depict some of the findings in an easy-to-understand way, the researcher employed both graphs and pie charts. This chapter focuses on the data presentation and analysis of the results on the influence of microfinance on Zimbabwean economic development. The majority of the findings in this chapter show that microfinance institutions are crucial for the development of small and medium-sized businesses, employment opportunities, and improved livelihoods in Zimbabwe. The recommendations that will be covered in the next chapter's summary, findings, and conclusions have now been set up. The findings will be summarized, the study will be concluded, recommendations will be made, and possible future research directions will be suggested in the following chapter.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.0 INTRODUCTION

The goal of this chapter is to figure out the impact of microfinance on economic development in developing nations. The chapter provides an overview of the summary and conclusions of findings that were disclosed after doing a literature study and data analysis (survey of Zimbabwe). Discussions will also include suggestions and ideas for further research in the field of sound microfinance.

5.1 SUMMARY

The main aim of this study remained to find the impact of microfinance activities on economic development. The researcher was directed by objectives which included: To evaluate the impact on microfinance on economic development: To assess how microfinance operate and the services they offer: To determine challenges faced by microfinance in a developing economy: To determine relationship between microfinance and economic development. The mentioned objectives were mainly aimed at identifying how microfinance contribute to economic development in Zimbabwe as a developing country. Thus, it was determined that microfinance institutions' services have a positive impact on society, economic transformation of the underprivileged, and empowering women in business as reported in the previous chapter's reports and according to participants' perspectives, in other words, it is a tool for reducing poverty by employment generation.

MFIs do in fact face difficulties that prevent them from carrying out their purpose to offer financial services to the underprivileged. Funding, rivalry from banks and other financial institutions, political chaos, security concerns, a lax regulatory environment, and poor corporate governance as a result were identified to be the key problems. It is clear from the MFIs included in this study that banks have a significant impact on the success or failure of the microfinance industry.

Microfinance activities have shown a greater impact on economic development through empowering women, employment creation, supporting the youth in business, improving standards of living through affordable loans, educating the society and provision of social benefits such as building of homes and poverty reduction.

5.2 CONCLUSIONS

According to Yunus, "a fresh idea can revolutionize the world when the moment is right" (Grameen Foundation), suggesting that an idea executed at the proper time may be a crucial component of reducing poverty. According to the empirical research done for this paper, microfinance institutions do in fact positively impact development in the poor countries. Based on descriptive assessments of a few chosen microfinance institutions, it is startling to see that clientele numbers have been sharply rising over the past ten years, suggesting growing demand for microfinance services that are having a beneficial influence on the economy. Despite its difficulties, microfinance unquestionably contributes to the growth of the economy.

Looking at the competition coming primarily from other MFIs rather than banks or other formal financial institutions to see how these issues are becoming a barrier to microfinance performance in Zimbabwe. Bank competition has a mixed record of positive and bad effects on the performance of MFIs, which has an impact on how clients are served. Poor corporate governance at microfinance institutions is a result of a weak regulatory environment that monitors the performance and operations of MFIs. This leads to poor management that disregards credit standards, which results in customers missing payments, a rise in fraudsters, and high levels of credit risk.

The study also observed that microfinance activities has a positive impact on socio-economic through improvement of lifestyle, and expenditure improvements. After conducting a survey it has been identified by respondents that there has been high levels of improvement in their customers living standards. Even while microcredit is not a magic bullet for ending poverty, when utilized appropriately, it can make long-lasting contributions by financing investments that lead to people's independence, which in turn fosters confidence, self-esteem, and dignity, especially in relation to women. MFIs may significantly enhance social indices like education, housing, and health as well as cross-cutting issues like the liberation of women, the prevention of the spread of HIV/AIDS, and environmental degradation. MFIs draw attention since they provide a different and additional source of funding for the underprivileged populations, improving their standard of living.

5.3 Recommendations

Based on the aforementioned, the following accolades can be given to microfinance participants, government officials, and microfinance institutions. The research has unmistakably demonstrated that MFIs experience difficulties in identifying the problems faced by microfinance institutions in a developing country. Due to the difficulties microfinance institutions encounter in a developing economy, the researcher suggests that MFIs implement the following funding policies:

• dependable corporate governance standards.

Lack of funds may no longer be a problem when these principles are in place, along with enhanced regulatory environment, as investors would be more ready to invest in microfinance. Business is most likely to prosper and growth can be attained in a variety of ways if there is strong administration.

• to participate in training initiatives to improve their workforce

MFIs must invest in employee training if they want to increase the quality of their services and products. MFIs should stay up to date with emerging technologies, particularly those that support credit administration and new product development. These are only a few of the factors that draw in investors.

Preliminary focus of microfinance should be providing affordable loans to individuals so to recover consumption and not exploit customer needs and improving investment and other capital accumulation through charging exorbitant interest rate charges, Moreso to reduce high levels of risk which comes as a result of lending.

Economic development encompasses a lot of indicators, infrastructure being one of them. I recommend the need for MFIs to also partake in more developmental projects such as building of school, hospitals, homes so to improve the infrastructure of Zimbabwe which is evidence from Homelink finance ltd operations.

MFIs must carefully handle business difficulties such defining job positions, employing and training employees, monitoring employee performance, and fostering the right culture to inspire workers in order to have a strong management team. As a result, the secrets of efficient

MFI administration are mostly applicable to business. MFIs should employ a hiring procedure or only academic requirements for hiring managerial staff.

MFIs should participate in Credit Risk Sharing Guarantee Schemes due to the difficulty of capital accumulation. The government should implement such programs to provide additional incentives that encourage banks to mobilize money to the microfinance industry due to low institutional ability to mobilize savings and insufficient collateral to borrow from banks. Credit risk sharing guarantees help to increase MFIs' access to capital and catalyze sustainable MFI relationships with formal financial sectors, which in turn increases the availability of loans to micro and small businesses by lowering the credit risk to banks that may arise due to a lack of collateral. This program's advantages include:

To MFIs

- Flexible access financing and repayment arrangements for MFIs
- overcome deposit regulation restrictions
- Increase operations and profitability
- Increase client outreach

To the Community

- Helps unbanked individuals obtain formal financial services for the community
- Boost household income and address the issue of unemployment
- Increasing saving habits and living standards contributes to the eradication of poverty.

5.4 Suggestion for future research

- Because it affects these institutions' ability to reach more businesses, academics should concentrate on analyzing the regulatory and supervisory framework for microfinance institutions in Zimbabwe in the future.
- Enable these organizations to connect with more business owners
- It would be wise for future research to concentrate on how competition affects product development and service provision in the microcredit industry.

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APPENDEX 1

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

COVER LETTER

Dear Sir/Madam

My name is RUVIMBO LIBELATO a 4th year student at Bindura University of Science Education, studying for a Bachelor of Commerce Honours Degree of in Banking and Finance. As required by the statutes of the institution, I am carrying out a research project in partial fulfilment of my studies which is entitled, "IMPACT OF MICROFINANCE INSTITUTIONS ON ECONOMIC DEVELOPMENT FOR DEVELOPING COUNTRIES. CASE OF ZIMBABWE. (2010 2020)" Consequently, I kindly ask you to assist me by completing the questionnaire attached to this letter as honestly as possible. The information that you shall provide will be treated with the utmost confidentiality, and will be used solely for academic purposes. Please do not write your name on the questionnaire. Your completion and the subsequent forwarding of this questionnaire to the undersigned will reflect your willingness to participate in this study. If you feel uncomfortable answering any questions contained in the questionnaire, please feel free to ignore such questions.

Your time and cooperation is genuinely appreciated.

Yours Faithfully

………………………….

LIBELATO RUVIMBO

QUESTIONNAIRE FOR MANAGERS, LOAN OFFICERS AND EMPLOYEES

Section A: demographic characteristics

Please tick inside were necessary ( )

SEX female ( ) male ( )

MARITUAL STATUS single ( ) married ( ) divorced ( )

AGE under 18 ( ) 18-25 ( ) 25-35 ( ) over35 ( )

LEVEL OF EDUCATION Olevel ( ) Alevel ( ) Diploma ( ) Degree ( ) Other ( )

WHAT TITLE DO YOU HOLD IN THE INSTITUTION Manager ( )

Loan Officer ( )

Employee ( )

Section B

How long have you being working in a MFIs ?

1-11mnths ( ) 1-5yrs ( ) 6 or more ( )

Any challenges in the working environment ?

NO ( )

YES ( )

specify

Why are you still working in the institution?

Have you ever tried looking for a job elsewhere and where ?

NO ( )

YES ( )

Section C

What is your take on the impact of MFIs in the economy

No impact ( ) greater impact ( ) less impact ( ) no idea ( )

Does MFIs benefit individuals in the economy

NO ( ) YES ( ) specify how

Does MFIs benefit society and women, how?

NO ( ) YES ( )

Do MFIs face challenges?

NO ( ) YES ( )

Do you think economic development depends greatly on activities of MFIs ?

NO ( ) YES ( )

What are the services you offer to customers as an institution

Where do microfinance get money to fund customers

how services offered by MFIs contribute to economic development

Are the services offered by MFIs catering for everyone needs?

NO ( )   YES ( )

How can this issue be resolved?

Is government intervention on MFIs operations appropriate?

NO ( )   YES ( )

How is it appropriate

Should MFIs operate with a target of achieving economic development?

NO ( )   YES ( )

What are the benefits of economic development to a MFIs in developing economies?

APPENDEX II

UNSTRUCTURED INTERVIEW GUIDE

1. how long has your institution being in existence
2. what is the purpose of MFIs compared to other financial institutions
3. what are the challenges you face in your operation as an institution
4. which group of individuals are your clients and why do you think that’s the case
5. do you think your interest rates are favourable for the economy
6. what do you understand by economic development
7. what factors affect economic development
8. do MFIs have an impact on economic development
9. is your institution contributing to the development and how