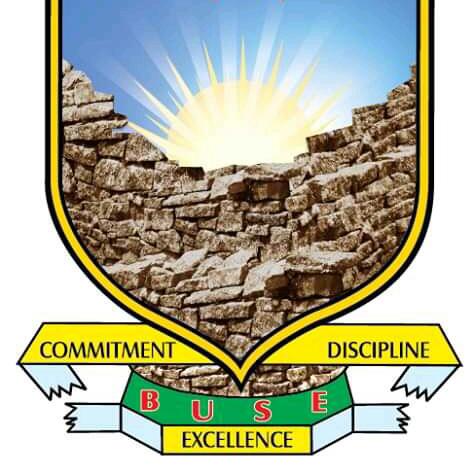
**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**



**AN ANALYSIS OF THE IMPACT MICRO FINANCE IN THE GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN ZIMBABWE.**

**BY**

**B1953446**

**DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF ACCOUNTANCY HONOURS DEGREE**

**JUNE 2023**

**TITTLE PAGE**

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**AUTHOR**  : B1953446

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# APPROVAL FORM

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………………………………. ………………………

SUPERVISOR DATE

…………………………. ……………………………

CHAIRPERSON DATE

# DEDICATION

I would like to give an exceptional vote of thanks to my parents, father and who provide a great supportive in my entire project. In addition special dedication of this work goes to my mother , my sisters , my uncle and friends for being very supportive and encouraging me during this course , their efforts and contributions were very fruitful.

**ABSTRACT**

This study aimed to analyse how microfinance affected Small and Medium-Sized Enterprises (SMEs) in Zimbabwe. Using the questionnaires and interview, information was gathered from 50 SMEs and 30 MFIs that were chosen at random. The questionnaire was sent through the email and the interview was contacted through the google class. The data presentations and analysis was carried out using graphs, pie charts and tables. To ensure reliability the researcher used SPSS version 20.The study findings showed that most SMEs had access to MFI Loans, only few of them were unable to obtain the entire amount they needed. The research study also showed that many SMEs that received MFI loans were successfully using the funds for commercial objectives, which accelerated the development and growth. The majority of SMEs said that MFI loans had a favorable impact on promoting their product quality and range, expanding their branch network, improving their cash flow, and growing their market share. The study suggests that before lending to SMEs, commercial banks and privately run MFIs should provide them with financial management training. Additionally, the government and local authorities (City council) should provide the SMEs with enough infrastructure, including permanent workstations, power, and additional restrooms.

# ACKNOWLEDGEMENT

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# CHAPTER I

# INTRODUCTION

## 1.0 Introduction

The microfinance organization seeks to assist several small and medium-sized enterprises in growing and developing. They interact with one another within the economy in order to achieve the intended goals. To shed additional light on the subject, this chapter will look at the backdrop of the study, the statement of problem, the objectives, the research questions, the importance of the study, the study assumptions, the restrictions and delimitation, as well as the summary.

# 1.1 Background to the study

Small and medium-sized businesses (SMEs) play an pivotal role in building wealth and the global economy. As a result of that SMEs need a strong backup in terms of finance and advises. Worokinasih and Potipiroon (2019) pointed out that low capital, a high labor intensity, and simple technology transfer are the typical foundations of SMEs. Consequently, SMEs are now a significant source of inventive talent, innovations, and employment growth. Basically, Chege and Wang (2020) viewed that SMEs make for over 90% of African businesses, over 50% of new employment in Africa, and over 50% of the continent's gross domestic output. Globally, SMEs generate employment possibilities with little investment per job leading to increased local residents economic participation in the resources monitoring and fosters the development and adoption of local technology. Pham and Huynh (2020) viewed that SMEs takes a greater portion of micro finances funds in the acquisition of the start up technological equipment to enhances modern production methods and competent workers. Additionally, the continuance of an uncertain macroeconomic environment issues mostly brought on by fiscal policies to excess finance.

The small and medium enterprises are very crucial in Zimbabwe economy as it constitute over fifty percent of the urban employment in Zimbabwe and over seventy-five percent in United states of America. According to Gassner et al (2019), there are several ways which are put in place to transform the low-income earner SMEs to that they can become financially active. This will enhance playing a key fundamental role the creation of employment, generation of the income and facilitating in the process of industrialization. Zainal et al (2019) viewed that MFIs act as the crucial roles in the economy through the availability of the financial start up to the economically active people. According to the world bank, poor financial management causes a clear decline in welfare and compromises many aspects. Low incomes and the capacity to purchase the products and services for resale required for the dignity of service are also taken into consideration. It also highlights the fact that the microfinance organization helps almost 7.9 million Zimbabweans to survive. Using the example of COVID 19 scenario, which has made the nation of Southern Africa's economic crisis worse items of the movement of funds and increase the dependence of the firm to the microfinance institution have become the mother due to the provision funds which led to their survival. According to Kim and Sang (2018), the primary goal of the micro financial organization was to lend money to developing nations, the institution, and primarily SMEs. A change in perspective regarding the growth and provision of funds was caused by the formal institution's failures.

According to Addae-Korankye (2020), SMEs can become self-sufficient with the help of basic amenities and income-generating initiatives. Access to the land and resources improves the amount of money that they can earn. When theorists discussed the advantages of small credits to SMEs to relieve shortages in the eighteenth and nineteenth centuries, microfinance developed from an informal serving business. Following that, microfinance has grown in importance for generating income in many parts of the world. It is now one of the institutions that offers low-income people who are outside the conventional banking system, particularly in developing nations, a variety of financial services. The provision of the credit facilities provided for by the microfinance institution enhance the SMEs to purchase the higher quality equipment’s for the production processes, employing the skilled workers and applying new formation and enlarge the business as the whole.

## 1.2 Statement of the Problem

SMEs has had several failures at the hands of official financial institutions like commercial banks, who consider these businesses as unsustainable in developing nations like Zimbabwe. The expansion of small and medium-sized businesses is very essential in Zimbabwe so as accomplish the vision 2030 goals of having a middle-level income. By 2030, a prosperous and globally competitive country with good living standards will be the result of the performance of small and medium businesses. According to the statistics survey of 2022, SMEs account for roughly 64 percent of all employment in the nation's urban areas. SMEs are therefore essential to increasing the country's GDP. Microfinance will get involved to provide working money, financial education, savings mobilization, and role models for the economy. The services provided by financial institutions aid in the expansion and improvement of SMEs, eventually increasing the success of the businesses.

## 1.3 Objectives

To examine ways in which micro finance promote growth and development of the SMEs

To establish whether delivery service of the MFIs lead to the growth of the SMEs.

To identify and analyse the funding sources of SMEs.

To check on the viability of the services provided for by the micro finance to the SMEs.

## 1.4 Research questions

What are the ways in which micro finance sources promote growth of the SMEs

Whether service delivery of MFI lead to growth of SMEs?

What are the funding sources of the SMEs.

How viable are the services provided for by MFI to SMEs.

## 1.5 Rationale of the study

**To the students**

This helped the students to obtain an in depth knowledge and skills so as to develop appropriate strategies to reduce failure of small and medium enterprises through relying with the funds provided for by the micro sources of finance. A student is in better position to clearly identify how to raise funds through micro finance so as to finance their short and long term projects.

**To the university**

The study can be so useful to other students who will be carrying out a further research in the same area. It is also crucial to the department of accountancy to ascertains for the amount of money which can be used by the small and medium enterprises obtained from micro finance so as to determine whether it is adequate to finance all of the activities engaged in.

**To the Government**

The research will be in a better position to identify the major roles or part played by the small and medium enterprises as a way of promoting growth and development of the economy. This will enhances the government to take part in their roles and identify the SMEs which is not operating within the limits of the laws and regulations placed by the government.

**To the researcher**

This will helps the researcher to develop an in depth knowledge and an understanding on how to tackle a given scenario for given area through the critical analysis of the empirical studies and therefore draw the appropriate conclusion basing on what has been found out in the survey carried out.

**To the Small and medium enterprises**

This helps to identify the opportunities and the threats within the surrounding environment. This enhances the firms to take the wise decision concerning their operation so as to tackle the issues appropriately. Hence thereby taking the best decision through considering the best by other firm and enterprises within the same industry.

**To the microfinance institution**

It of great importance to the microfinance institution as it helps them to find out and identify any other potential customers who are need of the finance through the survey of the research which has been contacted.

## 1.6 Definition of terms and Abbreviations

**Definition of terms of terms**

Micro finance- is the service provided to the low income earners who do not have any access to any other sources of finance.

Small enterprises- refers to companies or groups which consist of employees which are less than fifty.

Medium enterprises- refers to companies or groups which consist of employees which are less than two hundred and fifty.

**Abbreviation**

COVID 19  **-**Corona Virus Disease

GDP - Gross Domestic Product

MFIs  **-** Micro Finance Institution

SMEs  –Small and Medium enterprises

SPSS  -Statistical Packaging for Social Sciences

WB  **-** World Bank

MFB  **-** Microfinance Board

## 1.7 Research assumptions

In carrying out this study the researcher come up with the assumptions that:

* all those who will respond to the questionnaire will provide integrity and genuine information in line with the study
* respondents are literate
* The information used is reliable and valid

## 1.8 Delimitation

* The research project is focusing on the role of micro finance in the growth and development of small and medium enterprises in Zimbabwe mainly focusing with retail and manufacturing.
* It is going to be carried out specifically focusing on the SMEs and MFIs in Zimbabwe from 2019 to 2023.
* The respondents target where accounting, sales and the procurement department

## 1.9 Limitations

Permission in accessing the information

Other officer perceives the information as privacy and confidential

**Time**

The time to carry out the study was actually limited because in a semester consisting of three months, the researcher will be having some other modules to attend to. However, the researcher utilized the available so effectively and efficiently during semester break, public holidays and weekends.

**Unavailability of respondents**

Some despondence where busy with their day to day business so it was not easy to hold them, in order to meet this the researcher ensured that he usually arrived early before worker start and also contact them after work.

## 1.10 Summary

This section, which discusses how microfinance contributes to the expansion of small and medium-sized businesses in Zimbabwe, was introduced by the researcher. Through its background, the chapter also detailed the key factors that motivated the researcher to conduct the study. It specifies the study's goals and question, as well as the problem statement, words to be defined, the importance of the study case, and any restrictions. The conceptual, empirical, and theoretical framework of the study will be examined in the next chapter.

# 

# CHAPTER II

# LITERATURE REVIEW

## 2.0 Introduction

This chapter's main goal is to give the researcher a solid respect and comprehension of relevant prior research and trends. It is so crucial for a researcher to review the literature from +the authors and researchers in order to have a clear grasp of the research principles underlying each and every study area being involved in a given project.

## 2.1 What is literature review

Tranfield, Deyner and Smart (2020) defined literature review as a critical and comprehensive analysis of the existing literature on a particular research topic. It involves identifying, analyzing and synthesizing relevant scholarly articles , books and other sources to provide a summary and evaluation of the research top. Therefore, it is a summary that describes, summarizes, clarifies, and assesses the contents of the reports. By setting research questions or hypotheses in the context of past work in the topic, a literature review aids the researcher in identifying gaps in the body of existing knowledge. In order to convince the reader that the issue is important enough to study, it is looked at in order to support and clarify a choice made for the research. In order to support the goals and issues of the study, the design choice, and the data collection techniques chosen, a literature review should be employed. Additionally, it provides context for the study, confirms that it hasn't been done before, and shows how the research fits into the body of knowledge already in existence.

Taking into consideration of the above view, it can be shown that literature review arises from an account which has been written and published on a topic of scholars and researchers. Furthermore, it is the introductory part of the essay. The purpose of this writing literature review is to cover the ideas and knowledge that were established on the topic pointing out shortcomings, strength and weaknesses. It can be clearly defined as a principle which provide a guide for example in a research problem and objectives.

This review can not only develop the knowledge and skills about the research but also makes gain and skills in a specific area of study. This can be emphasized to a specific area of disagreements in the formulae and literature questions which needs additional study.

## 2.2 Conceptual framework

Basically, Adedokun (2021) defines conceptual framework as the theoretical framework that provides a structured approach to understanding and interpreting complex concepts and phenomena. It involves identifying key concepts, and providing relationships between these and providing the guide for analyzing data. It clearly explains how does the variables are connected to each other in the study and which will depend with the other. Furthermore, it identifies the minimal requirements of the variables so that they are mapped clearly. The main aim is to ration all the necessary components of the of the concept proportionately so as to achieve the best explanation for the problem under the consideration. Basically, It can be clearly explained the diagram below which was developed by Nguyen and Canh (2021) which clearly outline the external and internal elements of the firms which are dependent and independent.

**Independent variable Dependent variable**

Bank loan

Adviser and consultation services

SMES Growth and Development

Business development services

Training

*Figure* *2 :1 Conceptual Framework*

*Primary source*

The above diagram clearly interprets the relationship between the growth of SMEs and the intention being paid by the micro finance to facilitate the survival of them. However, there is which facilitate or take part in the growth and development of SMEs.

**Dependent variables**

The growth of the SMS due to the absorption of the funds provided for by the micro finance within the economy and their services which were previously offered by the firms changed rapidly due to increase in support of the MFI.

**Independent variables**

The impact of the micro finance on the performance and growth of SMEs. This clearly highlighted by the factors such as training, bank loan , business development services and consultancy and advisory services.

## 2.3 Theoretical review

## 2.3.1 History of micro finance

Multitudes of people in developing countries lacks startup funds for projects, hence micro finance intervene so as to save small and medium enterprises with the small amounts in order to invest in their particular project and cover large sums of expenditure and ensure the threats and risks which can arises. The households all over the world demonstrated the ability to pay financial services by the long standing arrangements for example credit association and rotating servings by that the formal financial services such as commercial banks were not able to provide for the poor. The main reasons behind this issue was centered on lack of the collateral security, geographical location, cost of small transaction and social prejudice. Schue (1993) profounder that not more than five million people will access the financial services from the bank. The emergency of the micro financial services come up with the assistance to the poor a little amount as a startup capital promote growth of the small and medium enterprises.

## 2.3.2 Steps followed by Microfinance in providing funds to SME

Okumu (2007) defined the credit policy as the set of guidelines, principles and procedures that are put in place by the banks in lending of the finance practices to achieve the targets of SMES. It combines the major decisions variables which involve terms of credit, standard of credit and efforts put in place by the financial manager in order to influence the decision of the manager put in place. The credit standard refers to methods employed when finding out the actual customers to access the extension of the credit facilities. When the bank has a greater number of customers who delays payments, the investment of funds in trade receivables will increase and the higher risks of default will likely to occur. The major two aspects should be considered when identifying and analyzing customers and the sets standards which involves the default rate and the average collection period. The average collection period refers to the period to which the outstanding amount remain and the default rate refers to the proportion of uncollected debts to the aggregate of the debts.

**First step: The interview**

This involves face to face conversation with the customer so as to establish the relationship Micro finance institution is bounded firstly to know the customer inters his or her residential address and likes. Through this in-depth analysis of the customer the crucial information will be gathered from this representative from the SMEs. Due to the illiterate level of the microfinance institution it will not be that easy to identify all the information about the customer through the interview only. If the customer is more illiteracy they will be given forms to fill in their details which can be then used for the assessment. This information will be then used for the assessment that whether the customers are eligible for the loan. The information such as nature of the business, credit history, number of the employees, the age of the business, the going concerns status of the business, ownership and the type of the business and finally the collateral security to be graded the loan.

**Second step: Loan application**

This involves the screening process undergone so as to identify whether the customer has the capacity to have the loan basing on the grounds being provided for in the first step of the procedures being followed. However, the information available will be compared and finalized with that is on the ground, if this information tallies then customer is eligible for the loan then he or she will be given a loan application form to fill in the details with the assistance of the credit officer. Therefore, the application will state all the information of the applicant and the very crucial part of the information the reasons being provided for by the applicant as the major reasons of borrowing. The Central Bank Credit Policy of 2011 the requirements of the loan application form are adequate funds to repay the borrowed amount of loan, application fees, loan security, permanent residence and finally mortgage registration security held. On the other hand, it has been supported that usually the loan application form with the questions which are structured which constitutes of the customers and the bank terms and conditions. The application is usually structured depending on the variety of the products offered but generally the format of several banks includes requirements and the general questions. It usually has all the information concerning the applicant and the reasons that will be pointed out as the for borrowing the finance thereby providing the clear picture of the applicant’s profile.

**Third step: Appraisals process and fields visits**

This is the most crucial procedure. In this state the office of the bank will make a visit to the customer’s business and at his homestead and make physical assertion on the existence of the business to reduce the chances of factious business, nature of business, permanency of residence inters of the structures and any other features that require physical inspection. Stocks is verified this done through comparing the physical examination of the books with the records. They also check physical existence of the sales through examination of sales day book, bank statements, purchases and the creditors records. Then this finding are compared to the information estimated by the customers. The calculations and the weighs are attached to the information already provided and the ability of the customer using the weighs. In other scenario where collateral security is required its weights is also verified to identify whether it can cover the amount owed and in case of inadequacy it is sold off and used to pay the amount of loan. AMFIU report (2005), valuation of such assets are sometimes require the use of the expertise such land values, lawyers and auditors.

**Fourth step: Loan processing and approval**

This involves loan approval by the Bank officer after the visit of the client’s business and appraisals of the customer. Then the report is produced by the officer and they will go with the supporting documents. This is the most vital stage in the loan advancing stages. The rationale behind its importance come in the sense that the processing time, the collateral security and the rates of interests are considered to the facility. The credit committee finally reviewed the application package by the committee and all the information is verified and there will be a confirmation of all the crucial documents The weights given files are verified and a final decision concerning these is then reached by the committees of the bank. The document of the loan application is supported by all these documents such as land valuation reports that used as the land collateral. At this level the collateral underwriting will be performed. Finally, the committee will approve the facility if all the terms and condition. listed above are performed.

**Final step: Delinquency management and monitoring**

Kaur (2004) pointed out that, the steps involved in the collection efforts occurred from the delay customers in payments and to have the ultimate impact of reducing the chance of the loss resulting from the bad debts. The collection procedures should be clearly identified the credit customers. This always be performed in an organized manner that will help to increase the cash receipts The loan process will go on until it reaches the stage that all the customers are fully paid. The of the bank will be instructed to continuous monitoring the client to identify the whether loan advanced to the customer will not improve the customer’s business.

**2.3.3 Ways in which MFIs promote growth and development of SMEs**

Adequate access to the credit and other financial services to the SMEs tat do not have any chances to obtain loans from the traditional banking services. This allows allows SMEs to obtain necessary capital to grow and expand their operations. Also it takes part in financial education and training on how to manage their finances, invest in their businesses , and save for the future. This helps SMEs to make informed financial decisions and improve their chances of success. MFI also plays important role in the provision of the technical assistance including market research , business planning and management training. It allows SMEs to improve their business operations and and increase their competitiveness. Also network opportunities provide SMEs with opportunities with other businesses and investors, leading to a new business opportunities , partnerships and access to new markets.

**2.3.4 Viability of the MFI as the source of loan for SMES**

MFI offers loan to the SMEs with the intention to provide of supporting their growth and development. Some of the services includes flexible loan amount which can range from small to large depending on the needs of the SMEs. Also offers flexible loan amount that can range from small to large depending on the needs of the SMEs. In addition MFI offers a collateral-free loans to SMEs , which implies that they don’t have to provide any security or assets to secure the amount of loan being secured. Competitive interests rate is other ideal service provided for by the MFIs which implies that SMEs can access affordable financing to support their businesses. Also flexibility terms of loan repayment offers ideal flexible loan repayment terms that can be tailored to meet the need of the SMEs , with the option for both short-term and long-term repayment plans.

## 2.3.5 The empowerment theory

Its attention is centered on the contribution of the tyranny to the experience and the community escaped the situation. It helps individuals who are disadvantaged and the group of the community at large in order to gain economic, personal, political and interpersonal to increase the value of the livelihoods for survival through acquiring the basics. The external parties or the representatives are of the importance for the capacity that which will ended up in people require new ideas and innovations which will ultimately leading to change in their conception and the mindset to encourage implication to the households within the communities. It is considered as the persistent of the process that include personal deriving in step ahead to come up with a better well-being at individual level and the community level. It has been put in place that for the extreme poverty reduction through the intervention of micro sources of finance to overcome the scenario of poverty environment through the provision of the adequate funds to earn a living. Micro finance services offer the bulk amounts of money for small and medium enterprises to make long period livelihoods and making the resources sustainable as well as obtaining the benefits of the resources control.

This theory explains clearly the eradication of poverty by the micro finance to the small to medium enterprises through offering of loans as capital, educating them about how to spent little return they can get from the sale of groceries and finally the importance or the benefits of investing in any project which will help them to repay the loans if their businesses fail hence chances of failure will be reduced. It also provides the tools to find out how small and medium enterprise get access to micro finances and their contribution in income the activities which generate income. Lack of knowledge, financial resources and assets are the major threat which limit the expansion of small to medium enterprise. There micro finance is the tool that greatly assists the SMEs for provision of the resources and finance for them to venture into a market.

## 2.3.6 Grammies Bank Model

This concept was introduced by Professor Mohammad Yuns of 2006. The main objectives of this theory are to extend the services of their banking’s to the people with poor and the lower living standard within the small and medium enterprises so as to create some opportunities of employment and make utilized of idol resources. The researcher developed the poverty reduction programmer for all the SMEs through educating and providing them into alternatives way they can perform so to come with the profit oriented firm at little costs. This so crucial as it is helpful in the current study in the through reduction in the poverty of the residents. This will simply imply that if the SMEs are earning more from what they are investing they will employ some other worker in order to meet the demand of the customer hence creation of employment is achieved leading to the circulation of large amounts of income within the economy thereby eradicating poverty and definitely the economy will be fighting the economic development.

## 2.3.7 Village bank mode

This model was developed by John Hatch in 2011. It explains of the village bank which lands which lends money to a group of about thirty to sixty members. The village bank obtains loans from the form their agents in order to lend it to the individuals of the banks. Hence approximately fifty dollars’ individual loan will be paid on weekly bases and by the end of week four months the lender will return the principle amount and the interest. The payment of the loan will be collected at the annual general meeting and at each and every end of four months and the cost of the loan plus the interest according to the agreed terms and conditions as per written documents relating to the loan. This model is totally different from that idea of Graeme of the banking systems and the finances in its aims and the ultimate goal of the village bank is to provide the little amounts of loan to the people operating some small or medium enterprises so as to improve their leaving standard by allowing them to carry their own small scale businesses whilst Graeme idea is thrust upon helping the economically participating people with little income who in some cases are barred from obtaining from other financial institution.

## 2.3.8 Woman Empowerment

Cheston and Kuhn (2002)come up with the empowerment theory which mainly focuses with women small to medium enterprises. The theory shows that women constitute approximately seventy-four percent of the nineteen million three thousand of the world’s poorest people being provided for by the micro finance institutions. Multitudes of these woman have chances of obtaining the credit so that they can invest and operate in their own business. The majority of the women in small to medium enterprises have wonderful payment records despite the fact they face some hardships. Against the conventional courage, they proved it so crucial to lent to the low income earners and the women so that they can finance some their miscellaneous expenditure.

Financial self-sustainability paradigm is the major consideration in projects implemented in the provision of financially sustainable finance services to greater number of individuals probably small and medium enterprises. The main focus is on paving of the proper rates in order cover costs, to enlarge the programmers so as to counter take economies scale to operate group in order to minimize delivering cost. Gender lobbies prove that guiding woman in the scenario of repayments rates, there is an assumption that many women have access to the micro finance will definitely to the overall economic devilment, political empowerment and well-being. The major key issues are poverty eradication within the poorest, improved well-being and the development of the community. The great key area is in small servings and loans, production and provisions for human consumption and group formation. This supports some level of grants for a given programmer working with certain group in a given context. Some programmers were implemented effective designs for poverty reduction and or venturing outskirts. Gender lobbies has come up arguing that targeting women because their responsibilities for the betterment of the households. The assumption on this theory is that increased woman access to the micro finance will have the overall impact of increasing the household income which will lead to the translation of the social conditions and enable them to bring a great change in the gender inequality. Micro finance is clearly pointed out as an entry point as wider strategy for woman in political, financial and social empowerment.

## 2.3.9 Games theory microfinance

This theory advocate for the idea of lending collectively as the group among the micro finance institutions. The several mechanisms under this category depend on the group those who borrows to collectively enforce and monitor contracts with themselves. Graeme developed the model of micro finance was based on the group controls and pressure arising from other individuals were the loans are made among the individual group of approximately four to six. The members collectively demand the loan repayments and their accessibility to the loan services depend with the successful reputation of the other existing members which implies that if members had previous bad record it will put others on fire. The payment is normally made on weekly bases depending with the needs of the lender in the ground. The effectiveness of the group in finding of the defaults which can be proved by the rates used to repay the loans within the individuals of SMEs which used the type of micro finance The theory has also assisted to gather the social benefits due to the fact of their mutual trust arrangement to the deep root of the group system of granting depending with scenario in which they operating in. On other hand group related mechanism is considered as more vulnerable to those who need the service for free and ultimately leading to collation.

## 2.3.10 Financial sustainability theory

The continuance of the existence and survival of MFI in the ability to attain the level of clientele cater for administrative and other miscellaneous costs. The main objective was to reach the eradicate level of poverty and starving of small and medium enterprises. Reaching the level of invalidating the poorest and poverty alleviation will be considered as so crucial and grateful. Once the sustainability of these firms is reached then the micro finance has external and internal implication. Modoc (2002) viewed that internal mainly focus on savings and deposits through mobilization, motivating of the existing staffs, loan administration, and overall the financial performance and the eternal who be concerned with the availability of funds for the placement to other small and medium enterprises and overall the grant of organizing the community.

Zeller and Diane (2001) viewed that inadequate ex-poser to a credit facility by those who are striving that are above or below the poverty datum line may came out with the negative results for the SMES. Ability of the SME access to a credit facility amplify the chances to the risks and reduces copying there by enhancing the a favorable something all the time. All in all, the microfinance is always considered as the as so crucial to the survival of SMEs as improve their warfare. It can also be pointed out that MFIs which are financially sound with the greater coverage which has positively influenced the SMEs expansion and growth as the always adequate funds for the willing parties to borrow at affordable interests and finance to their project.

In addition, Buckley (1997) pointed out that the key indicators success indicators of other credit programmers include high rate of repayment, sustainability of finance and the outreach will not put into consideration the effect that micro enterprises have on the operations.

## 2.4 Empirical review

**Kamara, Abu Kai and Kamara, Sheku(2023) . The Study of the Impact of Microfinance on Small and Medium Scale Enterprises (SMEs) in Sierra Leone: A Case Study of ECOBANK Microfinance Sierra Leone**

### This study concentrated on the impact of MFI on SMEs in Sierra Leone.The descriptive statistics were used in the quantitative data analysis and descriptive research methodology was used for the study of the qualitative data. Using random sampling methods, a sample size of 120 possible respondents was determined. Only 107 respondents representing 89.17% of the total respondents agreed to participate in the poll.The examination of this study shows that MFIs, via the Munafa Funds, have a favorable impact on the expansion of SMEs. Credits should focus on the needs of the customer rather than the product in order to promote fast and sustainable growth in the operations of SMEs.Greater access to credit, improved savings, and the provision of commercial, financial, and management training are some of the crucial success aspects of MFIs.

**Adewusi, A. O. (2023). SME Micro-Financing and Business Growth in Rural Nigeria. In Management Association (Ed.), *R*esearch Anthology on Microfinance Services and Roles *in Social Progress* (pp. 512-526). IGI Global.**

This study carried out by Adewesu on micro-financing and business growth in Nigeria. This research identifies the social factors that affect the availability of microloans, looks at how satisfied SME owners are with the loan requirements of current microfinance institutions, looks into the connection between microloans and perceived business growth, and details the difficulties that rural SME owners have in obtaining business loans from microfinance banks. 262 identical questionnaires and 21 in-depth interviews were employed to collect data from the research participants using non-probability sampling approaches. The results of this research findings shows that the finance obtained by the SMEs boosted the revenue through large amounts of capital which is being used as the the start up costs.

**Angela Costantino1 and Ulingeta O.L. Mbamba. (2022) The Contribution of Microfinance Institution Services in the Development of Small and Medium Enterprises: Evidence from Ilala City, Tanzania**

### This study's goal was to evaluate the role that microfinance organizations (MFIs) had in the growth of small and medium-sized businesses (SMEs) in Ilala City, Tanzania. The purpose of the study was to evaluate the impact of financial and non-financial services. The information on SME capital development, income growth, and job creation supplied by MFIs. 158 SME owners completed questionnaires to provide data on the indicated factors, which were then analyzed using multivariate analysis of variance (MANOVA). The study's data has a Cronbach's Alpha of 0.84, which is higher than the recommended standard of 0.7.According to the study, MFI services had a beneficial impact on the capital and income development of SMEs, but only in a non-significant way on their ability to raise capital jobs is the ability of SMEs. Therefore, the study suggests that managers and analysts in the public sector create particular policies that have an effect on the expansion of SMEs.

### [AE Mrindoko](https://scholar.google.com/citations?user=9ct29IoAAAAJ&hl=en&oi=sra), [D Pastory](https://scholar.google.com/citations?user=JK5dD80AAAAJ&hl=en&oi=sra) (2022).[The Contribution of Microfinance Institutions (MFIs) Services to Poverty Reduction among Micro and Small Entrepreneurs in Iringa Municipality, Tanzania.](https://www.ajol.info/index.php/ajapres/article/view/229309)

This study's main goal was to evaluate how Microfinance Institutions (MFIs) helped Tanzania's Iringa municipality's micro and small business owners combat poverty.The survey included 333 micro and small business owners and managers who had used MFI services and owned/managed micro and small businesses. The study used a mixed research methodology and a cross-sectional survey design. A systematic questionnaire was used to collect data from micro and small business owners, and an interviewing guide was used to get information from key informants. 320 of the 333 questionnaires that were given out were used for data analysis since the other questionnaires could not be used because they had insufficient data. Chi-square, Kendall taub, Phi, and Cramer's V correlation analysis was used to analyze the data.The investigation found that there were micro and small business participating. According to the report, micro and small businesses are engaged in manufacturing, agriculture, services, and commerce. According to the survey, the majority of MFI services have not increased the revenue of micro and small business owners. However, the outcome demonstrates that MFI services have helped to reduce poverty among micro and small business owners in the Iringa municipality.According to the report, micro and small businesses are engaged in manufacturing, agriculture, services, and commerce. According to the survey, the majority of MFI services have not increased the revenue of micro and small business owners. However, the outcome demonstrates that MFI services have helped to reduce poverty among micro and small business owners in the Iringa municipality.

**Khan, Arshad A., Sufyan U. Khan, Shah Fahad, Muhammad A. S. Ali, Aftab Khan, and Jianchao Luo.( 2020). Microfinance and poverty reduction: New evidence from Pakistan. International Journal of Finance & Economics 26: 4723–33.**

The aim of the research was to determine the effect of microfinance banks on the growth of Small and Medium Enterprises (SMEs) with particular reference to Damaturu, the capital of Nigeria's Yobe State. The study's primary goal was to assess the effects of the stringent borrowing requirements of Microfinance focuses on the growth of small and medium-sized businesses. In order to investigate the proposed hypotheses, the study used the Chi-square tool and administered fifty (50) questionnaires, of which forty-one (41) were correctly completed and returned. The study found that, despite the fact that small business owners tend to patronize because to the high interest rate associated with the funds, the microfinance bank is well-positioned to support the growth of SMEs in the study region. The study also showed that the microfinance institution's stringent borrowing requirements Banks are another deterrent to business owners using the services of microfinance institutions. According to the report, the government should step in to address current problems, provide relief to those microfinance institutions, and support them in a variety of ways, including by giving them tax breaks.

**Olufemi. A (2019) The Impact of Microfinance Banks on the Growth of Small and Medium Enterprises in Lagos Metropolis Small and Medium Enterprises.**

Small and medium-sized businesses (SMEs) are crucial to the Nigerian economy, particularly in terms of employment, expansion, productivity, and eradicating poverty. This study's goal was to determine how Microfinance Banks (MFB) influenced the expansion of SMEs in the city of Lagos. The owners of SMEs having accounts with microfinance banks in the Lagos metropolitan area were given questionnaires to complete in order to gather the data for this study. 205 of the 209 distributed surveys were valid and could be examined with the SPSS software. There were two sections in the questionnaire. There is a general information section 1 and questions on the financial performance of SMEs, the impact of micro savings and microcredit, and the financial performance of SMEs after receiving training are in section 2.and financial results. Due to higher interest rates than deposit banks, quicker loan disbursement, and MFBs' inability to provide training for SMEs, the results showed that savings among SMEs are promising, and the majority of SMEs who used MFB products saw financial growth.

**The Impact of Microfinance Service Delivery on the Growth of SMEs in Uganda AUGUST, 2013 #43 By Nahamya K. Wilfred Ajanga Max Omeke, Michael Tumwine Norman Nasinyama Moses Makoha Department of Economics and Statistics Kyambogo University, Kampala Uganda**

This policy brief investigates the effects of microfinance service delivery on the expansion of SMEs in Eastern Uganda. The following were the study's goals: Establish whether MFI service delivery results in increased business capital and stock accumulation, as well as the impact of business employment growth and the influence of socioeconomic factors on the development of SMEs. You should also be aware of the barriers SMEs face in accessing MFI services. The study's cross-sectional design included the analysis of quantitative and qualitative data. In order to estimate the effect of MFIs on the expansion of SMEs, both the multiple regressions and the Logit model were utilized. The results show that even while MFIs have under performed relative to predictions,g both quantitative and qualitative data analytical methods. The multiple regressions and the Logit model were used in the process of estimating impact of MFIs on the growth of SMEs. The research viewed that due to the fact that the MFIs are performing below the standard , they have the very crucial part in linking SMEs to the credit. There is a close relationship between the microfinance and the provision of the micro credit for the survival of the SMEs.

**Johanna Pangeiko Nautwima, Asa Romeo Asa (2021) The impact of microfinance support on the development of manufacturing SMEs operating in Windhoek-Namibia.**

This research was carried out in Namibia and the researcher used the mixed research methods which consist of quantitative and qualitative so to fulfil the threshold of the objectives that being involved in this study. For the case of the research design 60 questionnaire were structured with open ended questions so as to provide the information concerning the research. 44 respondents managed to address the questionnaire which is 73% response rate . To test reliability within the microfinance the researcher use the multi regression analysis method at the level of 5% significant. The findings from this study clearly identified that the is a strong positive between the variables that there a clear indication that there is a correlation between the the microfinance support and the SMEs.

**Ngona E. K. (2022) The impact of microfinance institution on the development of SMEs in Lusaka District. Cavendish University.**

The main aim of this study was to comprehend evaluate MFIs impact or influence on the improvements and performance of the SMEs. The survey in this case was carried through the employment of the physical questionnaire and online which where addressed using the google platforms.The study clearly involve a through analysis of the MFIs part in the development of the SMEs and the researcher employed the descriptive study approach.The findings from this study revealed that the role provided by the microfinance institution in the development of the SMEs has the positive impact on the growth of the SMEs hence they provision is of the great importance.

**Adamu .M. A. and Muktar .B.(2021).The Role of Microfinance Institutions’ Services on the Performance of Small and Medium Enterprises. Department of Business Administration Federal University of Kashere, Gombe State Nigeria ^Department of Business Administration Federal University Dutse, Nigeria.**

The performance of small and medium-sized firms (SMEs) in Gombe state is examined in this research in relation to the services provided by microfinance institutions (MFIs). The study uses primary data gathered with a cross-sectional survey approach and 360 SMEs in Gombe State were sampled for the structured questionnaire. With the use of the SPSS program, the data were examined using a regression model. The study shows a positive significant relationship between the microfinance attention and the roles provided for by the MFIs and the performance of the SMEs.The study also shows that training and microloans have the most effects on SMEs' performance in the study region. The analysis suggests that the government should intensify efforts to support and encourage MFIs to expand the loans and training they provide to SMEs operators, raise awareness and connect SMEs to larger financing windows like the Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMIES) for more accesks to adequate capital, and provide more infrastructure and an integrated value chain for the development of SMEs.

**Nautwima, J. P., & Asa, A. R. (2021). The Impact of Microfinance Support on the Development of Manufacturing SMEs Operating in Windhoek - Namibia. Archives of Business Research, 9(12). 250-272.**

In this regard, the main goal of this study was to look at how microfinance acquisition affected the growth of SMEs with reference to the manufacturing companies in Windhoek, Namibia. Evenly pertinent, the study aimed to. Finally, develop appropriate techniques that MFIs might use or modify to improve the supply of microfinance services to struggling SMEs. This includes assessing the impact of acquired microfinance support on competitiveness. The study made use of a pragmatic paradigm. Therefore, to properly accomplish the study's three goals, mixed research methodologies that combined both quantitative and qualitative approaches were used. In order to collect data, 60 questionnaires were sent via email to the sampled SMEs; however, only 44 of them, or 73% of them, were selected for further study.Similarly, assessment on non-financial support was focused on managerial and leadership skills, as well as unblemished financial management. To test the nexus between microfinance support and SMEs’ development, multiple regression analysis was employed at 5% level of significance. Findings presented by the study revealed a positive strong relationship between the variables. Which clearly indicated that the MFI plays the pivotal role on the development of the SMEs.

**SE Yerima, S. E., Gambo, E.-M. J., & Umar, K. (2022). IMPACT OF MICROFINANCE INSTITUTIONS ON SMALL AND MEDIUM ENTERPS (SMEs) GROWTH IN TARABA.**

In this study, the effect of microfinance institutions on the expansion of small and medium-sized businesses (SMEs) in Taraba is examined. The primary goals were to assess how microloans, interest rates, loan terms, and experience affected the expansion of SMEs in Taraba State. In order to assess a survey of 174 randomly chosen SMEs in Taraba State, the study used a survey research methodology and multiple regression analysis. The study discovered compelling evidence that SMEs in Taraba State may expand faster when they have access to microfinance. However, it is shown that other SMEs' traits, such loan tenure and experience, have a little but detrimental influence on business expansion. The study suggests that SMEs operators take use of MFB advantages to market their enterprises and, in the long term, enhance economic performance; and that MFB should lengthen the loan terms for their clients, or stretch out the payments over a longer period of time, allowing the clients to use the loan for a wider range of purposes, such as the purchase of capital goods and technology, for a longer period of time.

**Nelson, G., Paul, O.C & Olumorin, M.O (2020). Microfinance bank and growth of small and medium scale enterprises (SMEs) in Bida Metropolis of Niger State, Nigeria. KIU Interdisciplinary Journal of Humanities and Social Sciences, 1(1), 1-1**

This study looked at the influence of microfinance banks on the expansion and survival of SMEs. The researcher used primary and secondary data in a survey research design. 125 SME owners and operators who are legally registered with Edumana MFB, Bida, comprised the sample group under examination. Owners and operators of SME businesses were given questionnaires, and MFB staff members who were chosen for interviews were also surveyed. Tables, frequencies, and percentages were used to analyze the data, and Chi-square and the Spearman Rank correlation coefficient were used to assess the hypotheses. In terms of increased company capital, asset purchase, and sales, the study's findings showed that the bank's lending facilities and support services had significantly aided SMEs in surviving and growing, although not without certain hurdles such as small size of credit, cumbersome procedures involved in securing credit and unfavourable loan repayment modalities.

**2.5 Gap analysis**

The overview literature studies indicated that more finance is being provided for by the MFIs that any other sources which can avail funds to the SMEs. Many researchers have been carried out for the MFI in developed country and the little in developing country therefore the researcher will fill the gape through researching more on the developing country.

**2.6 SUMMARY**

In light of the reviewing the studies in the literature which constitute the view that discusses the role of micro finance in the growth of SME in Zimbabwe the evaluation of the studies reflected inconsistent because of the pivotal role being played the micro finances, time and an industry in which these firms operate as well as macro and micro environment issues. The following chapter will be looking at the research methodology which outlines the methods which has been employed to gather the data.

# CHAPTER III

# 

# RESEARCH METHODOLOGY

## 

## 3.0 Introduction

In each and every research project there must be an analysis, methodology of data and aggregation. This chapter is there in order to examine analysis of the research project, methods used to collect the data and the presentation. In this chapter the instruments and the research design that were used to gather information concerning the of the micro finance in the growth of small to medium enterprises will clearly outlined. It will also give a clear picture of the of the sampling procedures and methods and the target population as well as evaluation, analysis of the plan and data collection.

## 3.1 Research design

Korati (2004) defines sample design as a specific strategy for selecting a sample from the given population. It describes the method that the researcher would researcher would use to select the individual item of the sample. Consequently, the one who is carrying out the research should choose the design that is trustworthy and suitable for the given situation. In this study the researcher used the descriptive research design. It is the method which is used to document the characteristics or behaviors of a group or population without influencing or manipulating any variables

## 3.2 Justification of the research design

The descriptive research design is so ideal for the researcher as it enables him to gain a better understanding of the particular phenomenon or population. It also help to identify patterns, trends and the associations in the data that may have noticed previously. This is the point where a baseline of information which can be used in future studies and interventions is being provided for. Apart from that it is also more practical and less expensive than experimental design.It eliminates the process of randomization or manipulation of variables which can help to maintain external validity. Therefore it used to generate preliminary data that can be used to design interventions or inform policy decisions.

## 3.3 Research instruments

This refers to the equipment that the researcher uses to collect the data and information in order to point out the possible outcomes and identify the solutions to handle the idea being investigated. In this case the research make utilize of the questionnaire and the interviews to gather the first hand information.

## 3.4. Questionnaire

Leedy (1997), it refers to a set of a well crafted questions that are picked after extensive testing testing in order to obtain valid replies from the predetermined sample. In the instance of the self administered questions were utilized since they are of little cost, probably for the studies with big sample size and a wide geographical scope.

According to Saunders (2009), closed surveys offer the advantage of eliciting the respondents' opinions as opposed to observation, which makes assumptions. Closed surveys also improve the compatibility of responses, making it much easier for showing the connections between responses for the researcher. Due to the respondent ready access to the replies, they also aid in clarifying the meaning of the question. However, open-ended questions can lead to a significant quantity of data being collected, making it difficult to interpret and analyze the results quickly. This is one shortcoming of questionnaires. As a result, it would be challenging to employ it in a study with a big sample size. In order to handle and analyze the data more quickly when dealing with a study project with a high sample size, the researcher chose to employ close-ended questions. Additionally, timely follow-ups were conducted to improve the comments.

In this scenario the researcher have chosen to use the questionnaire as his main tool in the study. He used the online communication methods to address the issue of the questions he poses to the respondent and will ultimately address them using the email. The typical questions which were designed in order to address the major area under investigation and the goals of the objectives. The questions that where use in the case where open ended and allows the respondent to add more information relating to their answer so as to have full knowledge of what is being asked.

**3.4.1 Justifications of the Questionnaire**

Since there are organized questions with options for replies stated, using questionnaires is a relatively rapid approach to obtain responses. Additionally, it guarantees respondent confidentiality by ensuring their anonymity. This will aid in increasing involvement, resulting in respondents providing more information. Since respondents are not speaking face-to-face with the interviewer, they are frequently more inclined to answer personal questions on questionnaires, which prevent interview bias. A questionnaire also ensures that the data gathered is standardized.

## 3.4.2 Interviews

The research have also make utilize of the online interview facilities such as google class zoom and video conferencing so as to gain information from the respondents. This helps the researcher to acquire further information and continued with the use of more open ended questions to acquire more and relevant information through the use of some of written and non written information in line with the subject of the research

## 3.4.2.1 Justification of interviews

The main advantage of an interview is that you may resolve any misconceptions right away because you are face-to-face with the applicant. The researcher might rephrase or rearrange the questions to make them easier for the interviewee to grasp. Furthermore, the interviewer can urge the respondents to provide the most thorough response possible and can verify, as necessary, that the question has been accurately understood. It is also possible to appropriately provide materials that respondent must see. Theresponse rates for interviews are often greater than those for other techniques like questionnaire distribution . According to Yin (2018) , in actual practice, open-ended, qualitative interview questions are frequently paired with more structured, close-ended interview styles. Notes that were taken concurrently with the interviews served as a record of the interviews even though it was discovered to be the greatest way as opposed to notes produced after the interview, which are likely to leave out crucial facts.

## 3.5 Data collection procedures and sources

In order to fulfil the research goals, the researcher used both primary and secondary data. In this case questionnaire and interview were used to collect the primary data. The secondary data was gathered through news papers, previous research studies and other sources , including policy material. Kotler (2000) viewed that data collection method as the process of obtaining both secondary and primary data. Consequently, managers of several of the micro finances were picked at random to address the questionnaire using the email for the study. Since it was made apparent that the questions where being used for academic purposes, they were filled out voluntarily and incentives were provided for to the participants. The dates and time for the interviews were arranged, and emails were issued to remind the individuals who submitted after the deadline.

## 3.6 Analysis procedures and the presentation of the data

Tables, pie charts, and graphs have been used in the analysis of the gathered data. These have been employed to present the findings in an illustrative manner. The data was presented using response frequencies. The study was also be presented through the detailed narrations. findings. To compare the outcomes of the data gathered, a table will be employed. Pie charts work best for categorical data displays. Pie charts may also be used to depict continuous data. Graphical approaches are employed because they are more beneficial in that they effectively communicate and present findings in an understandable fashion.

The research used the micro software to display the data collected from the questionnaire and the interview which where further analyzed so as to clearly identify the outcome through the use of tables , pie charts and the graphs. For the data analysis software the research employ the use of the Statistical Package For Social Sciences (SPSS) version 20 data. The researcher identified that the software the best interns of data process due to the use of trial and error method but was not just simple to follow up in the prepossessing step as it allows only one person to look at the output , tables , graphs and the pie charts. For quick interpretation and understanding the researcher used the spreadsheet which produced clear results.

There are several procedure being encountered through which involve analysis , coding and editing which involves checking of the questions which had been previously addressed by the the despondence. The questionnaire where verified in terms of eligibility ,omission and inconsistent the process of implied research. The processes of coding similar responses and quantifying will be used to take a critical analysis of the quantitative data. Finally the simplified data is the n clearly presented using the table, pie chart ,graphs and texts.

## 3.7 Validity and reliability

The reliability of the data is very crucial in reducing the chances of bias the errors encountered in the research. To ensure reliability the researcher will ask questions which needs further clarification not leading. The questions were also addressed consistently and straightly. Random selection used also ensure reliability since everyone within the population has a chance of being selected and it reduces chances of selecting the one who is proximity to the researcher.

Saunders et al (2012), noted that measures of the content validity and construct validity can be used to determine validity which very important to determine whether the research tools are effectively measuring the variables that the study is focusing on and for avoiding and measurement of the unnecessary variables within the research area. In addition the questionnaire was also arranged to tailor with the broad groups of individual so as to reduce the chances of elimination Therefore, the researcher used the construct validity as well as content validity. To find out whether there are there are adequate questions on research instruments to address the purpose of the study was the main aim of content validity. Through making sure that the identified gaps in the literature review and the research question are adequately addressed, the researcher ensured the content validity. The construct validity specializes on the design of the questionnaire through making sure that each was succinct and understandable. Also, the majority of the questions used were closed ended, which made it simpler for the participants. Finally, if the sample was provided for with the reasonable evidence that they were reliable this indicate that the it was also valid as they are inseparable which means you cant achieve reliability without achieving validity.

## 3.8 Ethical consideration

Basically, Saundars et al (2012) pointed out that confidentiality, informed agreement and protection against harm and identity are all the components of the ethics of research to stay in line with generally accepted principles. Through making sure that the participants are told about the study and the agreement was obtained, the researcher the researcher incorporated the ethical issues. In order to maintain their confidentiality and privacy the participate where instructed to put their names on the questionnaires. They were also made aware that the material would be treated in the strictness confidence and would only be used for learning purposes only.

## 3.9 Gap analysis

The overview of the literature studies indicated that more finance is being provide for by the MFI than the impact of the growth of the SMEs. Many researches have been carried out for the micro finances in developed country and the little was done in developing countries ultimately the researcher will fill the gap by research in on the impact of micro finance on the growth and development of SMEs.

## 3.10 Chapter summary

The research approach utilized to conduct the study was detailed in this chapter. It included information on the target population, sample techniques, data collection tools, and data sources. The research design explained the rationale for choosing this design. was picked. The merits, validity findings, and facts of the descriptive survey were cited as making it the ideal tool for this study while also eradicating views. Then the next chapter will look at the data presentation of the findings and responses from previous chapter.

# CHAPTER IV

# DATA PRESENTATION, ANALYSIS AND DISCUSSION

## 4.0 Introduction

This chapter identifies the research outcome, relying on the information obtained from the questionnaire and the interviews.Ultimately, this chapter will focus on analysis, presentation, interpretation and description of the data obtained the research.

## 4.1 The response rate from the questionnaire

Table 4:1 The response rate from the questionnaire from the MFIs.

|  |  |  |  |
| --- | --- | --- | --- |
| **Group targeted** | **Targeted number** | **Response gathered** | **% response** |
| Management department | 13 | 11 | 36 |
| Human capital department | 11 | 9 | 30 |
| Other | 6 | 5 | 17 |
| Total | 30 | 25 | 83% |

*Source primary*

The table above shows the respondent reaction on the sample of thirty participants, 25 responded which represents 83% response rate . The other MFI not mentioned in the table managed to respond to both questionnaire and interviews. The is 17% unresponsiveness due to the few MFIs in the manufacturing industry which failed to return the questionnaire due to some reasons which are not clearly specified and the other failed due lack of corporation and network failure. The overall response rate is 83% which was high enough to claim the research validity and give the reliable results as Saunders recommend any response rate that is above 67% will good.

## 4.1.2 The response rate gathered the from the SMEs

Table 4:2 The response rate from the questionnaire from SMEs.

|  |  |  |  |
| --- | --- | --- | --- |
| Group targeted | Number targeted | Received response | Percentage response |
| Manufacturing industry | 22 | 21 | 42% |
| Retail industry | 18 | 15 | 30% |
| other | 10 | 9 | 18% |
| Total | 50 | 45 | 90% |

*Source primary*

The table 2 clearly shows the sample taken from the fifty participants in which 45 responded representing 90% response rate. All other respondent which are not mentioned in the table managed to respond well to the to the questionnaire and the interview posed to them. The is also the remaining 10% in which of unresponsiveness which was due to the few SMEs in the manufacturing sector who failed to an answer the questionnaire and return it time. The researcher managed to be responded by 90% which indicate a good respond rate because it is within the range advocated by Saunders.

## 4.2 Age of the respondents

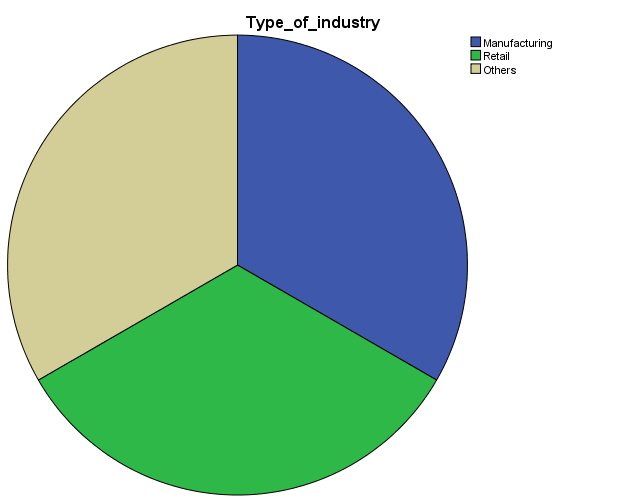
*Table 4 : 3* Age of the respondents

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **age** | | | | | |
|  | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30 | 5 | 31.3 | 31.3 | 31.3 |
| 30-40 | 7 | 43.8 | 43.8 | 75.0 |
| 40-50 | 4 | 25.0 | 25.0 | 100.0 |
| Total | 16 | 100.0 | 100.0 |  |

*Primary source*

The table above shows the age distribution of the staff of the MFI and those of the SMEs. This clearly indicate that majority are still young and energetic and will be able to take the decisions quickly.

## 4.3 Type of industry in which the firms operate



*Figure* *4.1 Type of industry in which the firms operate*

*Primary source*

The diagram above shows three industry sector in which firms operate which are manufacturing, retail and any other which is not among these. This implies that there re chances that in each category of respondents they are chances that they operate in either of the industries above.

## 4.4 Educational qualification of the staff working in MFIs and that of SMEs

*Table 4* *:4* Educational qualification of the staff working in MFIs and that of SMEs

|  |  |
| --- | --- |
| Qualification level | As the percentage of employees |
| Ordinary level | 25 |
| Diploma | 35 |
| Degree | 40 |

*Primary source*

The table above shows the qualification of the staff working in the MFI , it clearly shows that they are most educated personnel who attained at least a degree. Those with ordinary level being the lowest grade , this has the impact on the decisions which are made in the firm.

## 4.5 Accessibility of Loans by the SMEs

*Figure 2* *:2 Accessibility of Loans by the SMEs*

*Primary source*

The pie chart above shows the majority of the MFI have access to the loan facilities loan which is indicated by 80%.This implies that large number of the SMEs are surviving from using the loan of the MFIs and little SMEs have no access to the loan from the MFIs.The greater access of the SMEs to the loans has the significance positive impact on sales revenue, profitability and employment generation since the firms would have adequate capital to finance the operations. This study finding is consisted with that of Rahman and Molla (2021), Toili and Odebero (2019) and Hossain (2019).

## 4.5 Services offered by the by the MFI to the SME

The illustration below shows the effort by the MFI to make the loan accessibility

*Figure 4:3 Services offered by the by the MFI to the SME*

*Primary source*

In both developed and developing nations, SMEs' access to financial services must be given top priority since it significantly boost their growth, which reduces poverty and boosts economic growth. Figure4.1 shows the ways in which the MFI try to make loans more accessible to the SMEs and the findings show that there was a larger percentage of the responses in respect to MFI loans the total. There is a smaller percentage for the provision of the education facility indicated by 20%. This is a clearly depict that MFIs plays several major roles in trying to avail the micro-load facilities to the SMEs.MFI offers many services to SMEs which are in line with the loan or which are not directly as loan.

From this research the researcher noted that these services have the direct impact on the growth and development of the SMEs. The services involves provision of financial education , creating the awareness campaign to the clients about the promotion , favourable interests rates being charged and enhancing the speedy of processing. Therefore these services being offered stimulate the performance of the MFI on the SME as they make loans affordable and accessible to the SMEs, by doing these the firms would have adequate capital to start their operations hence it will earn more from what is being invested. This finding is concurrent with the study by Adamu and Muktar.(2021)

## 4.6 Start up capital for SMEs

*Table 4 :5* Start up capital for SMEs

|  |  |  |
| --- | --- | --- |
| **Financial institutions** | **Freqency** | **%** |
| Money from the MFIs | 20 | 40 |
| Loan from other commercial banks | 12 | 24 |
| Money from friends | 8 | 16 |
| Personal savings | 10 | 20 |
| Total | 50 | 100 |

*Primary source*

The table above shows the start up capital of the SMEs from the several sources of finance in Bindura. This clearly shows that the SMEs are relying more on on the finance from the MFIs indicated by 20 times a year in which receive the finance from them represented by 40%. In addition to the finance from the MFIs they also used the finance from personal savings, friend and other commercial banks as the alternative source of funds. Money obtained from other friends being considered as the lowest portion which can be used to finance the start up of the business indicated by 16%. This is finding is in line with that of Olumorin, Paul and Nelson (2022)

## 4.7 Rating of the advisory services of the MFI on SMEs

*Table 4 :6* Rating of the advisory services of the MFI on SMEs

|  |  |  |
| --- | --- | --- |
| Rating | Frequency | % |
| Execellent | 11 | 55 |
| Strong | 7 | 35 |
| Weak | 0 | 0 |
| Non-influential | 2 | 10 |
| Total | 20 | 100 |

*Primary source*

The table above shows the rating of the advisory services offered by the MFI to the SMEs. The ratings of the advisory services ranges from the non-influential to the excellent. In this case the service rating which is excellent is provided most frequency which has a greater percentage of 55%. It is being followed by strong with the 35% chances of occurring and then the there is no chances of offering weak service as the percentage of occurring as it is indicated by 0%. This is not in line with the finding by Ngona E. K. (2022)

**4.8 The turnover of SMEs achieved through the use of loans from the MFI**

*Table 4 : 7* The turnover of SMEs achieved through the use of loans from the MFI

|  |  |
| --- | --- |
| Before adoption of the MFI loan Annual turnover in USD | < US$500 000 |
| After adoption of the MFI loan Annual turnover in USD | > US$500 000 |

*Primary source*

From the table above the respondents indicated that due to the use of loan from the MFIs there is an increase in annual turnover from $500 000 due to the adequate funds that were available to finance all firms day to day operations of SMEs and acquire massive equipment for production in order to earn higher interest from what is being invested. Also due to the adoption of the link with the MFI the SMEs receives education and assistance in proper spending.There are several SMEs that are surviving from the MFIs as some of them combines and work as the group and others make it on their own. There a sharp increase annual turnover being earned as indicated by a shift from US$500000.This indicate that there is a positive relationship between the role played by the MFI and the results obtained obtained. Hence MFI has the positive impact on the the growth and development of the SMEs. This study results is consistent with that of Nautwima & Asa. (2021).

## 4.9 Challenges faced by SME in accessing loan

*Figure* *4:4 Challenges faced by SME in accessing loan*

*Primary source*

The diagram above shows the challenges encountered by the SMEs in trying to access loan.The respondent pointed out that majority of the SMEs face the challenge of being cumbersome with process which implies that the process becomes boring and tiresome which being represented with 38%.The reason is that they stand for a long time queues waiting for their loan. Furthermore, delaying in the process is the lowest which is represented by 30% indicating the rate at which MFI delay to offer funds to the SMEs.For the MFI to address these challenges should consider several strategies to address them such as use of internet banking, educational campaigns and flexible operation hours.These finding are concurrent with that of Wambala and Wakawa (2019)

## 4.10 Duration allowed for repayment of loan

*Table* *4 : 8* Duration for repayment of loan

|  |  |  |
| --- | --- | --- |
| Period | Frequency | % |
| 6 months- 1year | 16 | 32 |
| Above 1 year | 9 | 18 |
| Seven years and above | 25 | 50 |

*Primary source*

The above table shows the period for which the loan is granted. It indicated that the majority of the SMEs are taking a longtime to repay their loan which implies the payment is being spread over the live of the project being carried out. Therefore the cost is being paid in portion till it has been completed.This not in line with [Mrindoko](https://scholar.google.com/citations?user=9ct29IoAAAAJ&hl=en&oi=sra) and [Pastory](https://scholar.google.com/citations?user=JK5dD80AAAAJ&hl=en&oi=sra)  (2022).

## 4. 11 Summary

The chapter represented the findings from the research which the data presentation,the analysis and the discussion linking it with the previous research studies so as to draw the conclusion to the next chapter according to the finding in this chapter. The next chapter is going to look and the summary of the research carried out conclusions as well as the recommendations.

## CHAPTER V

## SUMMARY, CONCLUSION AND RECOMMENTATIONS

## 5.0 Introduction

This is the concluding chapter which has the summary of the whole research, the conclusions from the finding as well as the recommendations. It is the point where the researcher identifies an area which needs improvements and the remedy so as to reduce the chances of the problem troubleshoot again.

## 5.1 Summary of major findings

* The MFIs has the positive impact on the profitability of SMEs. The findings through the research carried out showed that the amount of loans given to the firms by the banks enable them to purchase large quantity of stock and sale them hence earning large amounts of revenue from selling the goods. This enables firms to earn more from large stock purchased as compare with other firms which sells small amount of stocks there by making small amount of profit. Also revenue is enhanced when SMEs buys goods in bulk and they are allowed a discount on the goods bought in bulk hence the revenue will increase.
* Finance provided for by the MFI enables SMEs to fund advertising and promotion so as to increase turnover through these campaigns. Hence the higher the amount of money available it enhance proper advertising and hence increase the turnover through this awareness campaign. This implies the funds provided for by the banks help in increasing the sales volume of the firm.
* The findings reviewed that due to the loan borrowed by the SMEs from the MFIs there are some costs which incurred such as loan repayment costs and the loan interests. The SMEs have to incurred the costs of interests as the loan carries a fixed percentage of loan interests which is payable per annum. Usually, the interests born loan is fixed to 25% per annum which means every firm high as borrowed this loan incurred this cost. Also the firms had incurred the loan repayment cost for MFIs which is payable over within one year as compared to traditional loans which can lasts up to 5 years.
* SMEs faces some challenges when acquiring loans from the MFI which includes delaying in processing of loans ,being cumbersome of the process and the requirement of the collateral security when they apply for the loan.

The goal of the research project is to analyze how microfinance affects SMEs. This research study proved that MFIs had a good impact on supporting SMEs. An increase in product quality, quantity, and variety, an expansion of the branch network, and a rise in market share all indicated this effect. SME access to MFI loans and other services was demonstrated, despite the fact that the majority of them do not receive the entire amount of loans they are requesting. From the study's conclusions, it can be inferred that MFI services have a considerable impact on the performance of SMEs in. MFIs might therefore be seen as a useful tool that the government can employ to increase activity. through offering microloans, micro savings accounts, and training to SMEs. The creation of jobs, the distribution of money, and consequently increased tax generation for the government may all be accelerated by this. We give the following recommendations in light of the study findings

## 5.2. Conclusion

* The researcher find out MFI promote growth and development of the SMEs through training, micro credit, savings accounts, insurance, financial education, business development and mobile and digital banking.Therefore with all these MFIs plays a very critical role in increasing access to finance for SMEs which can help to promote economic growth and reduce poverty and create employment opportunities.
* The service delivery of micro funds lead to growth since the SMEs will have access capital to finance investment and economic growth as it is valuable tool for promoting entrepreneurship and development through the provision of finance to those lack access to traditional and commercial banks.
* The major funding source of SMEs is largely from the MFIs as it constitute almost 40% of the funds used as the start up cost. This implies that they are main source of funds for the SMEs and they influential in growth and its development through the flexible and conducive working conditions
* MFI is the most viable source of funds for the SMEs as it has lower interests rates and flexible repayment schedule, which it more attractive to other firms. In the way it can make growth of the business without taking on too much debt. This has the overall impact of improving economic growth and development.
* Majority of the SMEs rely on MFIs funds as it constitute 80% of the SMEs have access to the loans facility. This implies that the loan provided for by the MFI is being considered as more viable as the interests are lower and in some circumstances it may not require the collateral security.

## 5.2.1 Overal conclusion

The MFI is the mainly for the provision of loans to other small firms which do not have access to the commercial banks at a price which is affordable this is enhanced through creation of the awareness, provision of the financial education , enhancing the speed of processing and the provision of the interest at the favourable rates.The role provided for by the MFIs in the provision of finance greatly affect the growth and development of SMEs as it increases sales volume and profitability of the firm. Although it has some costs but they are over-weighed by the by the benefits which arises from the part played by the MFIs.

A significant proportion of sole entrepreneurs are aware of bank funding for microfinance, according to the study of the data. consequently, our study finds that microfinance banks support growth. small-scale businesses. The study also comes to the conclusion that the bank's rigorous borrowing requirements have a substantial impact on the growth of SME since they deter them from applying for loans and force them to continue raising money from other sources. Additionally, the most crucial development-related aspects in the targeted sub-sectors should be addressed in methods and properties. This study suggests that the government implement such a strategy for the benefit of SMEs in order to guarantee the supply of raw materials and imported machinery on a concessional.

## 5.3. Recommendations

**To the SMEs**

Given that the environment is volatile and is characterized with the stiff completion SME should rely with the MFIs as they are of great importance because they offer education and training assistance to firms and adequate finance through loans. The finance which is being provided for by the MFIs also helps SMEs in the processes of launching the product and used as the market tool. This is greatly used in the process of advertisements and the creation of the brand awareness.

**To the Government**

It is crucial that the government establish rules that would make it easier for SMEs to get microloans. In order to avoid impeding potential and creditworthy clients who want to grow or launch a firm, these regulations should be in accordance with both SME owners and financial institutions. Because there will be more job possibilities and a greater flow of money across the economy, this will open up prospects for economic growth and development.Financial institutions need to make sure that they educate SME owners on good financial management techniques. This will make it easier for SME owners to account for loans taken out. To help borrowers make informed judgments when investing in initiatives, lending institutions should also provide them with advice on how to assess the feasibility of their projects.

**To the MFIs**

The report advises MFIs to collaborate with county governments and other stakeholders in order to raise public knowledge of the availability and procedure for obtaining microloans. Since MFIs' goal is to reduce poverty, they should think about providing initial money so that the borrowers' and the business's well-being can be monitored.According to the report, the central bank should establish rules and processes to remove obstacles that prohibit potential SME owners and managers from obtaining financing. This will foster an atmosphere that is favorable for SME development and expansion.

* Financial institutions should teach employees in risk management and financial management, decrease lending rates while enhancing service delivery, and offer financial advising services to individual proprietors while extending credit to them. In order to guarantee that SME owners and managers have access to information and can make informed investment decisions, the government should also regulate financial institutions.

## 5.4.1 Recommendations for the study

SMEs are using loans provided by MFIs for commercial reasons, which may be further concluded. This is mostly due to SMEs' desire to understand their businesses that are prospering go through economic problems and an unemployment rate that is now at 80%. The study suggests that before offering loans to SMEs, commercial banks and privately held MFIs should educate them on various elements of financial management. Along with financial assistance, the government and local government (City Council) should provide enough infrastructure, including permanent workstations, power, and extra restrooms, among other things.

The financial institutions should concentrate more on the financial assistance to the SMEs as their role is of great significance in terms of growth and development of SMEs. Also for the MFIs roles to be more visible the SMEs should be more receptive to the new information and ideas brought about by the MFIs so as to allow commitment and ensuring the growth. The role played by the MFIs need to be flexible so as to allow changes in modern technology and other innovations. It by the researcher”s wishes that MFIs should continue promotion of the SMEs as this will lead to the growth, creation of employment and ultimately success.

## 5.4.2 Suggestion of the future researcher

Since the focus of this study was on SMEs in Zimbabwe, its conclusions cannot be applied to all SMEs. The paper suggests that more research be done on SMEs nationwide to look at the effects of microfinance loan on the performance of SMEs to identify any patterns or distinctive features. In order to determine the impact of credit on the performance of small businesses, it is crucial to conduct a research comparable to the one that has focused on SMEs among major corporations. Future studies should concentrate on the various effects of micro financing on the productivity of SMEs. Links between small companies and the rest of the economy are necessary for the growth of the small and micro enterprise sector.

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**APPENDIX 1 : QUESTIONNAIRE**

Bindura University of Science Education

P Bag 1020

Bindura

Dear Respondent

I B1953446 an undergraduate student doing Bachelor of Accountancy Honour”s Degree at Bindura University of Science Education. I am carrying a research on the analysis of the impacts of the Microfinance institution on the growth and development of the SMEs in Zimbabwe. I am kindly asking you this questionnaire being in mind that this questionnaire is held private and confidential and it will be strictly used for academic purpose only. This case as the information is used for academic purpose you should avoid disclosing your identity in any form.

INSTRUCTIONS

* Complete in ink
* Do not write on the page of this Questionnaire
* Please tick in the box for your response

**SECTION A : PERSONAL BACKGROUND**

1.Age

30-40 [] 30-40 [] 40-50 []

2.Show by ticking in the box the type of industry

Manufacturing [] Retail [] Others []

1. Annual turnover in USD achieved by the SMEs after the financial service of the SMEs.

Lower than $500 000 [] Above $500 000 []

1. Rating of the service of MFI.

Excellent [] strong [] weak [] non-influential []

5.How long have been working in the MFI

Less than 3 years [] 3-5 years [] 5-8 years [] above 8 years

6.Sources of capital of the SMEs.

Money from the MFIs [] money from the commercial banks [] money from friends [] personal servings []

1. Challenges faced by the SMEs in accessing loan

Speed in processing [] Being cumbersome of the process [] requirement of the collatera security []

8.Educational qualifications

Secondary [] Graduation [] Post graduation []

9.Services offered by the MFI to the SMEs

Favourable interest rates [] Creating awareness [] Provision of education [] enhancing speed []

1. Time period for loan repayment

6 months - 1 year [] Above 1 year [] seven years and above []

1. Accessibility of loan to the from MFI to the SMEs

Majority [] Minority []

12 Response rate…………………….

13 State the percentage which of funds being used as start up capital by the ………….

**SECTION B**

14.Changes in performance of the SMEs due to the adoption of the MFIs so as to finance its operation from the period where the SMEs rely on its own capital.

|  |  |  |  |
| --- | --- | --- | --- |
| Details | Constant | Increase | Decrease |
| Operating costs |  |  |  |
| Sales Revenue |  |  |  |
| Profit |  |  |  |

15 .Explain the impact of the changes in the above variable given that the business operate in a volatile environment.

….……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. List any six advantages and three disadvantages which arises as a result of the adoption of of the MFIs fund in financing of the SMEs.

….…………………………………………………………………………………………………………………………………………………………………………………………………

**Appendix 2**

1. What are the microfinance tools used by the SMEs in the process of granting funds
2. Are the tools effective when it comes to the implementation of the strategies?. Taking into the consideration of the environment in which the organization operate.
3. What are the important strategies which are being applied by the firms so as to properly manage and utilize the funds provided for by the MFIs.
4. Explain the appropriate rationing of the funds obtained by the SMEs so as to maximize returns being earned.
5. Is the amount obtained from the MFIs adequate to finance all the activities of your business.
6. What are the advantages of using funds from MFIs as compared to other traditional banks in Zimbabwe
7. What are the challenges are being faced on employment and use of MFIs funds.
8. Does the Covid 19 affect the rate of obtaining and receiving funds from the MFIs
9. What the action or the strategies which can be done in order to overcome the negative impacts brought about by the MFIs to the SMEs.
10. Are all the SMEs in Bindura have access to the loans provided for by the banks.