BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

AN ASSESSMENT ON THE ROLE OF FINANCIAL INSTITUTIONS ON GROWTH AND DEVELOPMENT OF SMALL TO MEDIUM ENTERPRISES: A SURVEY OF HARARE TOWN.

BY;

PASIPAMIRE TASH. S

B1953684

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY HONORS DEGREE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION

DECEMBER 2022

APPROVAL FORM

The undersigned certify that they have supervised, read and recommend to Bindura University of Science Education for acceptance of a research project entitled:

AN ASSESSMENT ON THE ROLE OF FINANCIAL INSTITUTIONS ON GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES: A SURVEY IN HARARE TOWN

Submitted by B1953684

In partial fulfilment of the requirements of the BACHELOR OF HONOURS DEGREE IN ACCOUNTANCY

Signature of Student……….……………………… Date……/………/………….

Signature of Supervisor….……………………….. Date……/………/……........

Signature of Chairperson………………………….. Date……/………/…………

RELEASE FORM

NAME OF AUTHOR   B1953684

DISSERTATION TITLE: ASSESSMENT ON THE ROLE OF FINACIAL INSTITUTIONS ON GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISE: A SURVEY IN HAHARE TOWN.

DEGREE TITLE: BACHELOR OF HONOURS DEGREE IN ACCOUNTANCY (BACC)

YEAR OF DEGREE COMPLETION DECEMBER 2022

Permission is hereby granted to Bindura University of Science Education Library to produce copies for scholarly and scientific research only. The author does not reserve all other publication rights and the dissertation nor may extracts from it, be printed or otherwise reproduced without the author’s approval.

Signed by……………………….

Date……../……..../…..................

Permanent address:

346 Golden Heights

Shamva

DEDICATION

To my family and friends.

ACKNOWLEDGEMENTS

My heartfelt gratitude goes to my family, friends and relatives who provided the much needed love and support. Your love is the greatest. I would also like to praise the Almighty who gave me strength and guided me throughout my life.

ABSTRACT

The main objective of this research was to assess the role played by Microfinance Institutions (MFIs) in promoting the growth and development of Small and Medium-Sized Enterprises (SMEs) in Zimbabwe. Expert or judgmental and convenience sampling were used in selecting SMEs which fall under the Ministry of Small and Medium-Sized Enterprises definition. The same sampling methods were employed as well in choosing registered and licensed MFIs in Zimbabwe. Stratified sampling was adopted to select 50 SMEs and 45 MFIs to participate in the study. Data was collected via a questionnaire and interview and the presentation of data was done in the form of tables, pie charts, graphs and interpretation made based on research objectives. Two set of questionnaires were designed to facilitate the solicitation of credible and appropriate data which was used for analysis. One set of questionnaires was done for SMEs and another one for MFIs. Sequential exploratory research design technique was used. Analysis was done by Statistical Packages for Social Sciences (SPSS version 21.0). Data presentation and analysis was done by tactically using percentage graphs such as histograms and pie charts. The outcome of the study indicates that almost all MFIs support SMEs financially with expensive loans and short tenures. Although they are challenges being faced by SMEs, MFI services increased the growth of SMEs in terms of sales among others thus a positive relationship between MFI services and growth of SMEs. Whilst SMEs recognize the positive role played by MFIs, they however lament the stringent requirements imposed on them by MFIs. Besides the financial assistance, it is recommended that MFIs should try to waive some of the requirements such as collateral security. The interest rates should be lower than that of other financial institutions so that the poor may be incorporated into the system since the aim is to cater for the poor. Government and MFIs must find ways of providing cheaper funding and offering training programs that suite SMEs in Zimbabwe so as to improve the viability of SMEs and our economy as a whole.

TABLE OF CONTENTS

LIST OF ACRONYMS

SMEs – Small and Medium-Sized Enterprises

MFIs – Microfinance Institutions

FI - Financial institutions

USA – United States of America

US – United States

SEDCO – Small and Enterprises Development Corporation

UN – United Nations

OECD – Organisation for Economic Co-operation and Development

WSBI – World Savings Banks Institute

SMME – Small Macro and Medium Enterprises

ADBI – Asian development Bank Institute

ZIMRA- Zimbabwe Revenue Authority

RBZ- Reserve Bank of Zimbabwe

CHAPTER I
INTRODUCTION

Introduction

The study focuses on the role of micro-financial institutions in assisting SMEs to achieve growth. This chapter introduces study. A brief background of study is outlined. The problem statement is given. The objectives for undertaking the research as well as delimitations, the abbreviations, key definition of terms and lastly with a summary to enclose the chapter.

Background

Small to Medium Enterprise firm are of necessary in their role of promoting grassroots economic growth and justifiable sustainable development (OECD, Skills development and training in SMEs, local economic and employment, 2019). Due to economic the economic crisis this resulted in emergence of SMEs in Zimbabwe which are regarded as one of the key drivers of the economy since they contribute a lot in terms of employment and GDP (Baporikar N et al, 2016). According to the 2020 statistics, SMEs consist of more than 50% of employment and more than 60% of the gross domestic product of Zimbabwe. Because of economic hardship in Zimbabwe, the call for micro-loans is increasing.

SMEs are said to bring new ideas on how the business is run than large enterprises since they ensures customers satisfaction. They understand their customers as they negotiate with their clients, more approachable and work closer to them whilst they provide a wide variety of products and services (Gyimah & Boachie, 2018). Microfinance institutions are fundamental source concerning the issue of income mostly in Harare. After realizing an essential role regarding the informal sector, the government of Zimbabwe established the Ministry of Small and Medium Enterprise Development in 2002 for promotion and growth of SMEs. The expansion of informal sector is followed by simple economic logical that explains high demand of Microfinance institution service in Zimbabwe. Despite SMEs significance, they face a lot of challenges. SMES lack adequate finances and good management as the finances and financial related services are a vital requirement in initiation, improvement and growth of business enterprises (Syed et al, 2018).

SMEs faces challenges in acquiring loans from large institutions since they need collateral security so this became a barrier to the firms as a result they will be forced to rely only on internal funds and retained earnings (Gyimah & Boachie, 2018). Also due to the state of economy there is less opportunities of expansion due to lack of access to finance. SMEs are regarded as the seed-bed for the development of large companies and are lifeblood of commerce and industry at large. According to Haider et al (2017), credit provision is utterly crucial to the success and growth of small to medium enterprises, it directly impacts on the day to day of the operations and in turn their profitability. The SMEs play an important role in the economy as they are major job creators. They make up more than 70% of all businesses and they are the country's biggest employer and also make the backbone of the economy (Importance of SMEs, 2021).

In order for the SMEs to grow, there is need for finance and other financial related services, therefore the microfinance institutions (MFIs) provide loans and other financial related services for the going concern of the business. The MFI targets the low income earners including the self-employed that is those who are unable to borrow funds from banks where collateral security is needed. Parker (2019) said that due to the need of collateral security by commercial banks, it results to inability of an average person to access loans from banks thereby constitutes a great setback to growth. This therefore led the author to undertake this study which seeks to establish the role of MFI on the growth of SMEs, with focus in Harare town.

Statement of problem

Zimbabwe banks and creditors are failing to care for SMEs by refusing their request to access financial services by naming them doubtful and high risk (Sanya & Polly, 2017). Due to the fact that SMEs lack collateral security, lack of knowledge by management and they do not keep proper books of accounting, they are likely to fail amongst other factors which impedes to expand their operations hence growth. Low investment are caused by expensive capital borrowing costs on by high interest rates. By this, most of the SMEs has failed to expand their operation in terms of production as access to finance sours. The SMEs sector requires an adequate funding to unlock its potential as a source of rapid economic growth, poverty reduction, bridging current supply gaps in the economy and uplifting standards of living in Zimbabwe (RBZ Monetary Policy, 2018). An increase in SMEs in Zimbabwe can no longer be ignored but need much consideration and better creativity to help them to survive. Therefore the aim of the study focus on the role of micro-financial institutions in assisting SMEs.

Aim of the study

The purpose of the study was to establish role of micro-financial institutions on SMEs growth.

Objectives

- ✓ To find out the challenges faced by SMEs in their quest to access capital.
- ✓ Identify the bottlenecks facing micro-financial institutions
- ✓ Evaluate the impact of micro-financial institutions on growth of SMEs
- ✓ To establish the role played by micro-financial institutions towards growth of SMEs
- ✓ Proffer strategic recommendations

Research questions

- ✓ What are the challenges faced by SMEs in quest to access capital.
- ✓ What are the bottlenecks faced by micro-financial institutions
- ✓ What role does micro-financial institutions play towards growth of SMEs
- ✓ What are the bottlenecks faced by micro-financial institutions in financing growth of SMEs
- ✓ What are the recommendations that can be proposed for strategic planning purpose

Significance of study

To the University

The research provides literature to the university library and also give a room for further study to other students and staff members in carrying out a research in the same area hence good basis for future references

.

To the SMEs sector

The researcher set up the practical role of solutions proposed by micro-financial institutions and how it may lead to growth of SMEs

To the Researcher

It enhanced the student with more practical understanding on the roles of micro-financial institutions in assisting SMEs to achieve growth. The researcher gained more knowledge and enhanced his research skills. Lastly, the study will facilitate the student to be awarded a bachelor of Accountancy Honour Degree.

To the government

Results can be used by policy makers in making legislation. Legislation has to allow for more micro financial institutions.

Assumptions

- ✓ Literate respondents were involved in the research.
- ✓ SMEs are in search for financial assistance from micro-financial institutions
- ✓ To be held constant are other economic sectors that require finance
- ✓ There is enough and positive corporation from the selected sample of SMEs respondents.

Delimitations of the study

- ✓ The research was based on the role of micro-financial institutions in assisting SMEs in achieving growth for the year 2022.
- ✓ The study focused on the SMEs carrying business in Harare town on the role played by micro-financial institutions towards growth of SMEs

Limitations of the study

- ✓ Time and financial confine contributed the most to a choice of small sample of SMEs at a smaller geographical coverage although there are many micro-financial institutions in Zimbabwe. However the researcher utilized that little time and sourced funding from family to come up with a completed research.
- ✓ Some of the respondents, thus the SMEs could not give all the information as it was regarded as confidential and highly sensitive. The researcher convinced the respondents by telling them that the information was to be used for academic purpose only.

Definition of terms

Small and Medium Enterprises-An enterprise which employ less than hundred employees.
Growth - Expansion amongst SMEs in terms of number of outlets, number of employees and revenues.
Micro-financial institution – An organisation that offer financial services, finance thus loans, offer deposits and withdrawals and insurance services.

Summary

This first chapter has provided the background on the study on the role of micro-financial institutions in assisting SMEs to achieve growth. The chapter also outlined the background of study, problem statement, objectives, research questions, delimitations and limitations of the study and the assumptions of the study.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter covers the theoretical and conceptual framework. It provides a succinct summary of the findings of other researchers on the phenomenon. According to Sally (2013), a literature review is a systematic, explicit, and repeatable way of locating, assessing, and summarizing the body of previously published and documented work created by researchers' analysts, scholars, and authors. This chapter concludes the evaluation of the literature by filling in the gaps left by earlier researchers who had focused on the influence of financial institutions on the expansion of SMEs.

2.1.1 The concept of SMEs

Definition of finance institutions differs from one country to another and or one analyst to another. SMEs are however defined according to the net income per financial year, number of employees, capital base, and assets base, location (Wairimu & Mwilaria, 2017). Following Johnson (2011), according to USA government, SMEs are those lowly capitalized firms in terms of capital employed and number of employees. This indicates that SMEs have less than one hundred employees and their asset base is less than five million US dollars and their net cash inflow is less than ten million US dollars. This is how SMEs are described in context of USA government. According to Cortler (2015) the Britain government describes SMEs as those companies with not more than two hundred and fifty workers, employed capital of five million pounds or less, having an asset base of less than twenty million pounds and earnings realized of at least fifty million pounds. These SMEs are found outside the Central Business District because they may not afford the rentals.

Zimbabwe SMEs are businesses that are classified in terms of turnover level, employment level and assets value. ZIMRA (Zimbabwe Revenue Authority) simplifies this by splitting small enterprises from medium enterprises. Small enterprises employs six to forty workers, attaining an annual turnover of fifty thousand US dollars to five hundred thousand US dollars and have assets that value between fifty thousand US dollars and one million US dollars (ZIMRA, 2019). It is of importance to note that any businesses operating below this point are regarded as micro enterprises. Medium enterprises are those businesses which employs from at least forty one workers to seventy five workers, with an annual turnover between one million US dollars and two million US dollars and beyond these limits it will be considered to be a large company (ZIMRA, 2019). The Zimbabwe Association of SMEs be-write a small business as one that is lawfully registered and with a turnover of less than two hundred thousand US dollars and forty thousand US dollars or assets less than one hundred thousand US dollars in value. Medium enterprises are formally registered, with assets and turnover above the upper boundary for small enterprises, but less than one million US dollars each.

2.1.2 The concept of financial institutions

Financial institution is defined as a development tool that grants or provides financial services and products such as loans, leasing, savings, micro-insurance and money transfer to assist the exceptionally poor in establishing or expanding their businesses (World Bank, 2020). The definition is supported by the Reserve Bank of Zimbabwe, (2018) which define financial institution as the provision of a range of financial services, including savings, small loans, and money transfer services to marginalised members of the population and SMEs that do not have access to finance from formal financial institutions. Financial institutions refers to the type of financial interposition services offered to low income earners and enterprises in both rural and urban areas such as credit, remittances, insurance, funds transfer, savings and pensions (Ekpete & Iwedi, 2017). There are various providers of financial services and some of them comprises of government banks, savings and loans cooperatives, commercial banks, non-governmental organisations (NGOs), credit unions, depository and non-depository micro finance institutions (Ngehnevu C.B and Nembo F.Z, 2010). Financial institutions were categorized as group lending, Self Help Groups (SHG), individual lending, cooperative financial institutions and village banking (Quaye, 2011).

Funders of MFIs

Ndlovu and Ngwenya (2003) state that MFIs typically receive money from the government, charitable organizations, and for-profit businesses. Non-governmental Organizations (NGOs) provide funding to a variety of Microfinance Institutions (MFIs) (International Financial Corporation, 2018). To offer microfinance services to SMEs, several MFIs collaborate with banks and local governments. A few MFIs borrow money from banks and individuals, add a mark-up, and then charge their customers excessive interest rates to generate a profit. Some MFIs in Zimbabwe benefit from relationships with banks that give them money for further loans, such as FBC Microfinance, which is affiliated with FBC Bank (FBC Holdings Limited, 2021), Fidelity Microfinance, which is a division of Fidelity Life Assurance, and CBZ

Microfinance. Among other entities, CBZ Microfinance is connected to CBZ Holdings Limited.

Funders of SMEs

Money markets, charitable individual investors, and a variety of organizations provide funding for SMEs (Mclaney, 2009). The government may inject these money through the Ministry of SMEs, and MFIs' private owners may also do so. Typically, funding from the public sector and non-governmental organizations (NGO) is less expensive than funding from the private sector. Government or NGO lending facilities are distinguished by relatively short tenors, according to Burk & Lehmann (2006). Compared to MFIs that are privately owned, MFIs that are directly linked to mainstream banks have the capacity and ability to underwrite more transactions and business. Generally, individually financed MFIs often provide slightly higher interest rates than other MFIs, and they have a much smaller pool of available capital, making it difficult to serve more firms. Due to liquidity issues, the global crisis has had a detrimental impact on interest rates as well as the traditional donors that support MFIs and SMEs.

The significance of microfinance organizations (MFIs)

Different studies are recognizing microfinance institutions (MFIs) as organizations that can be used to improve the viability of SMEs by offering financial services to those who lack access to banks or who are ignored by the traditional banking sector (Klinkhamer, 2009). In essence, microfinance institutions were created to assist the underprivileged in obtaining loans through funding Micro and Small Businesses (Muktar, 2009). Businesses including dealers, street vendors, small farmers, hairdressers, tailors, commuter transport companies, and small shops are typically the focus of microfinance institutions (Ledgerwood, 2016). Because they are less capital intensive than major manufacturing or mining businesses, MFIs concentrate on the aforementioned clusters. Another factor would be that small enterprises tend to focus on quick returns, which fits with short-term lending. The danger is dispersed, and there will be less concentration risk.

ZAMFI (2019) states that the goal of MFIs in Zimbabwe is to make it easier for SMEs to acquire credit in order to raise their earnings, as well as to offer such organizations technical help through training, guidance, and counselling. Giving SMEs basic training in project management and business skills is the other key goal. According to the terms of the Money lenders and Interest Rates Act, MFIs tend to encourage saving among the target populations. Most importantly, MFIs work to close the financial services sector's gap by providing small loans to those who cannot otherwise access loan services (Poku & Osei-poku, 2018). MFIs have been successful in carrying out their functions in other economies, like Japan, despite the difficulties faced in such economies (Reserve Bank of Zimbabwe, 2018). Byaruhanga (2010) claims that MFIs in India were able to successfully carry out their mandates with the assistance of the Indian Government.

The firm's theory of growth

This idea establishes guidelines for how SMEs should expand and the pace at which such growth should occur (Penrose, 1959). Companies have both internal and external resources, and when these resources are used effectively, they can acquire a competitive advantage. The size of a company is seen as incidental to its expansion. Actual growth is a factor in the efficient utilisation of human, financial, and capital resources as well as resources available to the organisation. According to Penrose (1959), a firm's technological and management abilities serve as a tool for expansion, and ignoring them will only cause the firm to lose ground.

The Grameen Model

Initially, the renowned Grameen Bank of Bangladesh backed this model (Robinson, 1998). The methodology used to provide microloans is now the one that is most widely used and accepted. The principle of shared liability, upon which the model is predicated, states that all members are collectively responsible or liable for the repayment of the debt. In this approach, borrowers make individual loans, but they also join five-person joint liability groups, which then band together with eight to ten other similar groups from the same village, town, or neighbourhood to establish a centre. Peer pressure is the main element that ensures debt payback within each joint liability group and centre. The overall creditworthiness of the group is used in this model to estimate individual borrower's creditworthiness. If any member defaults, the group as a whole must contribute funds to repay the MFI's loan. Microfinance institutions recover the whole amount from the Centre.

Passive Learning Model Theory

The models, according to Jovanic (1982), show that a company enters a market with little to no knowledge of its potential for growth. After a company enters the market, information regarding its profitability and growth potential becomes available. According to the model, after the learning process and after the company has established itself in the industry, it decides whether to expand operations, cut back, or leave the market. It also states that the firm evaluates its effectiveness in the market (Jovanic, 1982). Only managers who actively monitor their managerial effectiveness in resource allocation and productive utilization will be able to expand in the market. Managers are better at assessing the firm's efficiency as it grows in business experience. This theoretical framework implies that SMEs ought to see more enduring growth (Evans, 1987).

The Stochastic Theory

Since a variety of factors influence the growth of SMEs, a stochastic method can be used to explain a company's growth. Stochastic models show that no dominant theory is effective at explaining growth, according to McMahon (1998). This strategy was established using Gibrat's Law as a reference point for earlier research on the factors that influence business growth. According to the Law, a company's growth will not be correlated with its prior growth. According to MacMillan and Day (1987), a firm's size might alter for a variety of reasons. A corporation's growth or decline is influenced by a variety of factors, including managerial effectiveness, client preferences and loyalty, industry-specific government legislation, investments in human capital, start-up capital, labour productivity, and age of the firm. Only a small amount of each variable accounts for the proportionate growth of enterprises. Many of these factors influence a firm's size indefinitely, causing either growth or decline (McMahon, 1998).

The Lifecycle Method

The stage theory, which describes how firms progress through several stages of growth, is another name for the life cycle theory of the enterprise (Bruce and Scott, 1987). A firm's development is characterized by the stage model or firm life cycle theory as a linear sequential process through a number of various different phases. According to Churchill and Lewis (1983), there is no set standard or actual number of phases that businesses go through. After contrasting various stage models, Churchill and Lewis (1983) determined the common stages. Start-up, expansion, maturity, diversification, and decline stages are the commonly recognized stages that are most frequently utilized in literature.

The theory of agency

The focus of agency theory is largely on contracts analysis and transaction costs (Coase, 1937). The idea highlights the difficulties that SMEs and outside lenders have when it comes to ownership, contractual obligations, management relationships, and credit rationing, exposing businesses to the possibility of asset substitution, which in practice means a change in the firm's asset structure. In the case of very tiny and microbusinesses, this asset substitution may occur between the company and the owner's family. According to Coase (1937), the existence of these issues in SMEs may explain why small businesses are using collateral financing more frequently as a solution to these agency issues. The methods used by lenders to address these issues greatly raise the price of operating in this market. In comparison to SMEs, a large enterprise's evaluation of a finance application may be limited to a review of an audited set of financial statements and any supporting documentation provided by the applicant. This implies a significantly higher transaction cost.

The Theory of Human Capital

The human capital hypothesis, according to LeBrasseur and Zinger (2003), includes knowledge, skills, attitudes, and experience put to use to advance a company's goals and growth prospects. The term "human capital" refers to important components that can be leveraged to enhance corporate resources and personnel, boost productivity, and maintain competitiveness (Robson and Gallagher, 1993). One frequent feature of SMEs is the owner-manager, and in the majority of them, there is no clear separation of ownership and management control (LeBrasseur and Zinger, 2003). In contrast, the board of shareholders of a company typically appoints a group of professionals to handle operations. The likelihood of suck entrepreneurs obtaining finance depends on their level of education and expertise. Because of this, highly educated business owners may decide to liquidate their company and look for new job (Hoogstra, 2004).

2.2. Empirical literature

Ruth Gochera (2019), conducted a research on the impact of microfinances on the growth of Small to medium enterprise in Harare, case of Siyaso. Data was collected via a questionnaire and interview and the presentation of data was done in the form of tables, pie charts, graphs and interpretation made based on research objectives. The study findings indicated that microfinance institutions provide a series of products and service that include small-scale business accounts loans, marketing services, financial literacy skills as well as business management training. Of all these, small scale business loans and financial skills are the major product offered by Microfinance institutions though the payback period is short, whilst business management training, and marketing services are the least offered. The researcher recommends SMEs to create separate bank accounts for better management of personal funds and business funds, to be in touch with microfinance consultancies so that they have better knowledge pertaining management skills.

Makorere (2014) researched on the role of Microfinance in promoting Small and Medium Enterprises (SMEs) in Morogoro, Tanzania. In Tanzania, the case study investigated the role of microfinance in promoting SMEs. The study sought to answer the question of what factors influence small businesses to grow into medium businesses, and then into large businesses. A cross-sectional research design was used to accomplish this. A sample of fifty-one SMEs was chosen using simple snowballing and random sampling. The primary data collection tools were questionnaires and interviews. The questionnaire included both closed-ended and open-ended questions. Statistical Package for Social Science (SPSS) and Chi-square analysis were used to analyse the data. Tables and graphs were used to present the findings. The findings revealed that adequate microfinance access has a positive impact on profits, outlets, and sales volume though they are of higher interest rates. Businesses whose owners also received business instruction, a reasonable interest rate, and enough time for payback outperformed those whose owners did not.

Elsie Peneyambeko Uusika (2018), carried out a research on the impact of microfinance on the growth of Micro Small and Medium Enterprises (MSMEs). Basing on the data collected from 48 respondents, the results showed a negative impact of loan on the growth of MSMEs, such that the amount of loan received does not necessarily enhance the growth. Similarly the respondents stressed that the interest rates charged by the MFIs was higher, posing high risk of default and these rates becomes the burden to the MFIs. MFIs offers unique services that is savings mobilisation, microcredit and financial skills training.

Halipha Iddy Mnunka (2018) researched on the Microfinance and financial performance of Small and Medium Enterprises (SMEs) in Tanzania. A research was carried from a sample of 3215 registered SMEs in Tanzania. Using the three constructs of microfinance (savings mobilisation, financial skills training and microcredit), the study concluded that microfinance contributed immensely in the financial performance of SMEs. The study revealed that the credit system has improved the financial performance of the SMEs. The researcher suggested that microfinance institutions to consider more entrepreneurs training to the clients.

A survey on micro-finance services that contribute to entrepreneurial growth and development in Kenya (Nairobi, Maina, J. M (2014). Maina (2014) conducted research on the contribution of microfinance services to the growth of entrepreneurship. Small and medium-sized firms were unable to acquire loans since banking institutions' credit policies primarily catered to large corporations. The (Maina, 2014) study also found that MFIs had emerged to fill the financing vacuum for small and medium-sized businesses (SME). The study found that the microfinance intervention for SMEs funding previously encountered a barrier of restricted access to credit and financial services, a lack of collateral, an ineffective legal and regulatory environment that does not recognize creative lending practices, and a lack of structural institutional mechanisms to support the flow.

Tania Chabvamindu (2018) studied on the impact of micro-finance loans on growth of SMEs in Zimbabwe, case of Bindura Urban SMEs. Data collection was done through use of questionnaires on a sample size of 50 respondents. The findings in this study showed that there was correlation between the predictor variables, the study discovered that that there was a positive relationship between microfinance loans and level of sales turnover of SMEs. The study recommended that there is need for microfinance banks to consider the upward review of the size of loan being offered to SMEs to enable them to have enough funds to finance their operations and also financial institutions should also provide financial advisory services to individual proprietors when advancing credit to them; lower lending rates while improving service delivery and train people on risk management and financial management.

Oni et al (2012), carried out a research titled contribution of Microfinance Institutions to continuous Growth of Small and Medium Enterprises (SMEs) in Nigeria. They evaluated the contributions of MFIs to the long-term growth of SMEs in Nigeria. According to the findings, MFIs did and contributed to the long-term growth of SMEs in Nigeria. Their research study, however, discovered that MFIs' service outreach to SMEs was inadequate. The researchers suggested that appropriate changes be made to address gaps in order for MFIs to effectively contribute to SMEs activities in the country. They also emphasized that, in addition to increasing SMEs' access to MFI services through the establishment of rural branches, both the government and MFIs can increase SMEs' access to MFI services through increased campaigns at the local government and ward levels.

The authors namely Anane, Cobbinah and Manu (2013), carried out a research titled Sustainability of SMEs in the rural areas of Ghana through the roles of Microfinance institutions. The researchers used the focus groups, surveys, descriptive study designs and interviews. The study's findings demonstrate the critical role that SMEs play in reducing poverty, generating income, and creating jobs. It was discovered that SMEs in rural Ghana were able to launch and expand their enterprises over time with the help of microloans. The findings came from a sample of 93 SMEs in 9 rural Ghanaian areas that were chosen through a straightforward random sampling technique. The primary goal of the study was to evaluate how MFIs contribute to the sustainability of small and medium-sized businesses in rural Ghana. It also demonstrates how microfinance products have significantly influenced rural SMEs' success and further determined how long they would be able to continue eradicating rural poverty. Anane, Cobbinah, and Manu (2013) advised that SMEs should be helped to grow their businesses even more quickly than the existing growth rate by the rapid credit disbursement by MFIs, flexible repayment terms, increased lending amounts to SMEs, and revisions to interest rates.

In the research of Ahibor (2O13) which discusses the impact of Micro-finance on Small and Medium Enterprises (SMEs) in Ghana on the case of Ledzorkuku-Krowor Municipal Assembly. He conducted a study whose goal was to evaluate the effects of microfinance on Small and Medium Enterprises (SMEs) in Ghana, utilizing the Ledzorkuku-Krowor Municipal Assembly as a case study. According to the study's findings, SMEs were more likely to be aware of MFIs and to acknowledge the positive effects of their loans on fostering their expansion.

The role that can be played by Micro-finance on the development of Small and Medium Aquaculture enterprises in Nigeria, Odebiyi and Olaoye (2014). They conducted research on the function of microfinance in the growth of small and medium-sized aquaculture businesses in Nigeria. The study's findings indicate that microfinance bank loans have a favourable effect on small- to medium-scale aquaculture growth because they boost farmers' income, slow rural-urban migration, increase total yield, and even create job opportunities. Olaoye and Odebiyi (2014). Money coming from banks to MFIs, then to SMEs, resulting in an overall cost of loan.

The impact of MFIs on growth and development of SMEs, survey done by Kyale (2013) in Machakos Town in Kenya. The study determined how microfinance institutions affect the expansion and improvement of SMEs. The study's goals were to understand how MFIs help with funding, financial literacy, the development of management skills, and market networking for SMEs in Machikos town. There was a survey design utilized. Sixty-six SMEs and five MFIs were chosen to participate in the study using stratified sampling. The main instrument utilized to gather data was the questionnaire. To create both descriptive and inferential statistics, quantitative data analysis was done. The data were displayed in tables. According to the study's findings, MFI institutions offer a range of services and goods, including small business accounts, training in business management, marketing assistance, and financial literacy skills. Small-scale business loans are the main product that MFIs offer among all of these. According to the study, MFIs should provide seminars and workshops to train SMEs in literacy, management, and information technology facilitation.

Osoro and Muturi (2013) carried out a research on the role of micro-financial institutions on the growth of SMEs in Kisi Town, Kenya. The study looked on the functions MFIs do in helping SMEs expand in Kisi Town. The particular goals were to identify the impact of credit provision on the growth of SMEs in Kisi Town, the impact of MFI training programs on the development of SMEs, and the impact of MFI savings accounts on the development of SMEs in Kisi Town. A design for exploratory inquiry was used. A sample of 100 MFIs in Kisi town was chosen at random. The Statistical Package for Social Sciences was used to analyse and convert the respondents' data into meaningful information

(SPSS). Inferences were made using frequency distributions. According to the study, microfinance institutions' savings accounts help entrepreneurs create a culture of saving, and the availability of loans, training, and affordable savings accounts promotes the expansion of SMEs. According to the study, inexpensive savings accounts are essential for avoiding MFIs' dependence on economic development.

Wang (2013) did a research on the impact of micro-finance on the growth and development of SMEs in China. This study's methodology involved using survey information gathered from SMEs in Taizhou, Zhejiang, the greatest concentration of SMEs in China. The information used in this research was drawn from data collected from well-designed questionnaire sample investigation outcomes. The study first demonstrated the critical impact that microfinance plays in the expansion of SMEs' sales and profits. The research went on to show that SMEs with higher financial risk and lower production levels are more likely to seek out microfinance. The study also discovered that firm characteristics, such as efforts to innovate products and management and entrepreneurial attitudes, are crucial in determining the likelihood of acquiring microloans.

Babajide (2012) researched on the effects of micro-finance institutions to small business growth in Nigeria. The objectives were to determine how various loan administration techniques (in terms of loan size and tenor) affected small company growth criteria. The second objective was to examine factors other than micro-financing that contribute to SMEs growing and turning small firms into large corporations. The main conclusions were that microfinance access did not enhance the growth of micro and small firms in Nigeria. Other elements, such as characteristics of the business at the firm level, such as its size and location, have an impact on its expansion. In order for microfinance institutions to provide funding support for SMEs, the report suggests that they recapitalize.

Kapwani (2014) conducted a study and in the research he sought to present an assessment on the contributions of micro-finance loans to the SMEs in Tanzania. Using random sampling, a sample of 86 respondents, including leaders and employees of MFIs and SMEs, was compiled. Utilizing surveys, observations, interviews, and documentary reviews, data was gathered. However, some restrictions have been improved for both MFI employees and SME owners. The study's findings indicated that there has been no progress on the development of SMEs due to the weak national economy and credit misappropriation.

Results on loan availability have revealed that loans are offered, but only when prerequisites are met. The study suggested that in order to remove barriers to SMEs' development, the government should figure out how to create a stable economy.

Oluntunla and Obamuyi (2014) carried out a study in Nigeria on the impact of micro-financial institutions on the growth of SMEs. They used both small and medium-sized firms in the city of Lagos as their sample in their study. The goal of the study was to determine whether microfinance significantly affects the expansion and survival of firms. The study's findings showed that while having access to the appropriate size loan at the appropriate time does help SMEs develop and expand, microfinance providers do not. They also looked at how well-run SMEs in Nigeria were receiving timely loans of the appropriate amount. They advised SMEs to take out more loans than they need because doing so will enable them to diversify and, in most circumstances, grow into major companies.

Peterson (2011) conducted a study on the relationship between performance of SMEs and the impact of micro-finance in Ghana. Assuming that there are 2000 SMEs in Ghana, and while doubting the capacity of microfinance to increase the viability of the SMEs if given the chance to grow. In an effort to develop strategies that might lead to the SME sector's expansion, this study was conducted. The results of this study showed that SMEs require substantial funding in order to operate more effectively. The use of machinery in the production processes, expert hiring, bulk-purchase discounts on commodities, and marketing are all enhanced by financial support.

Ali et al (2013) conducted a research on the accessibility of micro-finance for the small businesses in Mogadishu, Somalia. Examined Mogadishu's availability of microloans for small companies. Examining the difficulties small businesses in Mogadishu had in getting access to microfinance services was the main goal of the research project. The main conclusions were that it was difficult for small businesses in Mogadishu to obtain loans from MFIs, which caused many of them to shut down. Some may not have even started because of their inability to meet the obstacles. The researchers suggested that microfinance institutions be required to set requirements for financing small businesses that were more flexible, affordable, and appealing. These requirements also needed to be felt by the small businesses in terms of growth and development.

The impact of micro-financial institutions on Small and Medium Sized Enterprises in Nigeria (Christopher (2012). The purpose of the study was to assess how microfinance affected SMEs. Finding out whether SMEs in Nigeria had access to MFI loans and researching how these loans affect SMEs' performance were the main goals of the investigation. The sample of 100 SMEs was chosen using simple random sampling. There were structured questionnaires employed. Descriptive statistics, including basic percentage graphical charts, were used to present and analyse the data. According to the study's findings, the majority of SMEs benefited from the loans provided by MFIs, even if only a small percentage were able to obtain the exact amount they needed. The majority of SMEs acknowledged that MFI loans had a beneficial impact on their market share, product innovation, and overall competitiveness as a business. The study suggested that in addition to tax breaks and financial aid, the government should provide infrastructure services, such as a good road system and training facilities, to encourage SMEs in Nigeria.

The impact of micro-finance banks on the growth of Small and Medium Enterprises in Nigeria (Olowe, Moradeyo and Babalola, 2013). A sample of 82 SMEs served as the subject of a study on the effect of microfinance banks on the growth of SMEs in Nigeria. SME participants in the study were chosen using a simple random sampling procedure. Data collection involved the use of questionnaires. Multiple regression analysis and the Pearson Correlation Coefficient were both applied to the data analysis. According to the study's findings, financial services obtained from MF banks significantly contribute to the growth of SMEs in Nigeria. The study advised microfinance institutions to disclose the borrower's financial situation and lengthen the loan repayment duration.

Analysing gaps.

Since there is nothing new on the planet, the impact of MFIs on SMEs has been studied. Despite numerous studies that have been conducted by numerous academics worldwide, a gap still exists regarding the influence of these microfinances on the growth of SMEs, and the author is still adamant that this study is very important. The researcher has evidence of SMEs' obstacles, MFIs' operational model, and the range of services they offer to address those concerns in their effort to examine the influence of MFIs on the growth of SMEs and their relationship. However, there is little data to support a link between the services offered by MFIs and the expansion of SMEs; as a result, the researcher looked into how MFIs affect SME expansion in an effort to close the evidence gap.

Summary

The theoretical, conceptual, and empirical framework of the investigation were made clear in this chapter. The support for SMEs in Zimbabwe, the idea of MFIs, the connection between MFI and SMEs' growth, the difficulties faced by SMEs, and other sources of financing for SMEs were all examined. The research methodology is the main topic of chapter three that follows.

CHAPTER III
Methodology

Introduction

The theoretical framework and methodology of this investigation are described in this section. Research technique is crucial because it includes a description of the study instruments used to gather data, the research design, the sample and sampling procedures, and the sample and sampling philosophy (Business Dictionary, 2019). The researcher also talk about how he collected the data. The chapter also covers the measures employed to ensure the reliability and validity of the research findings. This research methodology chapter was organized as follows: research philosophy came first, then research design, then explanations of the questionnaire and sampling methodologies. Depending on the circumstances, different relevant strategies were used at different stages.

Study Philosophy

A research philosophy is a method by which a researcher obtains knowledge from the standpoint of their investigation (Lancaster, 2018). In terms of research philosophy, positivism, anti-positivism, pragmatism, and realism are the main four schools. The goal of this art is to comprehend how data that is believed becomes information that is known (Dudovskiy, 2019). Due to the nature and goals of this study, the researcher focused a lot on positivism, also known as the scientific method, which is one of the main research philosophies recognized in the Western tradition of science (Howitt & Cramer, 2011). This concept was chosen since it may be used with both qualitative and quantitative research techniques.

The goal of the observation that is being studied is most important when applying the scientific method. According to positivist research theory, a researcher is an impartial analyst (Lancaster, 2018). According to this theory, reality is constant and can be seen and understood objectively without affecting the things being investigated. The positivist philosophy was preferred by the researcher since it employs a clear qualitative approach to investigate the observed fact. The objective was to thoroughly characterize and investigate events from a qualitative standpoint (Livingstone & Perkins, 2018). Since the perspectives of MFIs and SMEs were taken into account, there was a strong element of different realities in this study. The underlying premise of positivism is that there is an objective reality that is separate from human behaviour and, as a result, is not a product of human intellect.

Designing research

The conceptual framework for conducting research is known as research design (Walliman, 2011). Research design, as defined by Saunders, Lewis, and Thornhill (2019), is a plan, framework, and strategy of inquiry that is created in order to produce solutions to the research topic or challenges. The research's overall strategy or program is outlined in the plan. It comprises a breakdown of the steps the researcher take, starting with the creation of the hypothesis and its operational implications and ending with the data analysis. Letts et al. (2020) defined research design as the process of organizing a study in order to obtain the most relevant data on a certain research topic in the right way and analyse the findings appropriately. Brewerton and Millward (2001), who hypothesized that the design of a study relates to the technique or timetable used to gather data and analyse findings in order to draw conclusions, provide support for the aforementioned definitions. The definition of research design in the literature lacks general agreement (Howitt & Cramer, 2011). There is a widespread understanding that it refers to a methodical and systematic process of inquiry and investigation, however various people may have varied interpretations of what that entails (Walliman, 2011). Therefore, a research design is a plan and structure for carrying out a study (Saunders, Lewis, & Thornhill, 2019). A sequential exploratory research method was employed because the study covered both MFIs and SMEs.

Design of sequential exploratory research

It is a significant variety of mixed methods design. In a single study, a sequential explanatory design collects and analyses quantitative and qualitative data in two stages (Doduvskiy, 2019). A combination of qualitative and quantitative research design aspects improves the quality of the research given the nature of the topic being studied (Howit & Cramer, 2011). Because they complement each other and promote validity, the researcher included both quantitative and qualitative research design features (Livingstone & Perkins, 2018). The researcher concentrated on the qualitative portion, and by examining common themes in the study, the data collected from the MFIs helped the researcher develop a greater knowledge of the issue and the relationship between the MFIs and SMEs. Since quantitative data is utilized to complement what would be found in qualitative data, it was linked with qualitative data throughout the data analysis phase of the inquiry. Given that it can be used in sequential exploratory research, a quick discussion of the quantitative research design is required.

Design of qualitative research

Research methods referred to as ethnographic, naturalistic, anthropological, field, or participant observer research are collectively referred to as qualitative research (Livingstone & Perkins, 2018). It emphasizes the importance of examining variables in their natural environment. Open-ended inquiries that yield direct quotes are used to gather extensive data (Hindle & Klyver, 2011). Qualitative research attempts to keep the researcher inside the study. The research team in this study shared a common understanding of the research challenge. In order to come up with a practical solution, the researcher had to gather truthful data from MFIs and SMEs and present it as convincing evidence. The study employed structured and qualitative research methods. The basic relationships of the issue are recognized, and although there are frequently qualitative research hypotheses or questions, they might be tentative and exploratory (Hindle & Klyver, 2011).

Process of collecting data

A research strategy is a "plan of action that directs your efforts and makes it possible to do research methodically rather than haphazardly" (Letts et al., 2020). This is supported by Saunders, Lewis, and Thornhill's (2019) definition of research strategy as the process and overarching plan the researcher use to answer the research questions. Niemann (2021) agreed, describing research strategy as "a collection of recommendations and instructions to be followed in tackling the research topic. The selection of an acceptable research strategy must be based on the study objectives and research questions. When choosing a research project, one must take into account the study's purpose, the amount of time and resources available, the level of data already available on the topic under study (Saunders, Lewis, and Thornhill, 2019). Since the survey research is widespread and straightforward to do, the researcher should use it for the purposes of this study (Collis and Hussey, 2019). Since the major goal is to determine the role played by microfinance institutions in the promotion of SMEs, this research technique is appropriate.

Questions and surveys

The survey and questionnaire methods were employed by the researcher. A survey is a data collection technique used to acquire, evaluate, and interpret the opinions of a sample of a target population (Mae Sincero, 2021). The survey method is a fact-finding investigation that requires adequate and accurate interpretation of findings, according to Cooper & Schindler (2018). Surveys have been utilized in a variety of study domains, including sociology, marketing research, politics, and psychology (Saunders, Lewis & Thornhill, 2019). An empirical survey was carried out in Harare to fully understand the challenges faced by SMEs when seeking assistance from microfinance institutions. A questionnaire is a tool used in survey research that consists of a list of inquiries to be directed to survey respondents (Mae Sincero, 2021).

Surveys are used to gather data about people's behaviours, preferences, traits, beliefs, and facts. In addition to employing questionnaires, the researcher also used primary data. The purpose of the interviews, which were conducted with the Loan Officers and Credit Managers, was to clarify the interest rate and other MFIs' criteria. The questions were very open-ended, allowing for further investigation to elicit additional responses. In this study, both closed-ended and open-ended items were included in the questionnaires. MFIs and SMEs were asked to answer to the questionnaire. Although some respondents from the targeted sample of the population choose not to answer, the responses from MFIs and SMEs were generally good. Secondary data was gathered from SEDCO of Zimbabwe, the Zimbabwe Ministry of Small and Medium Enterprises, the Zimbabwe Association of Microfinance Institutions (ZAMFI), and other sources. It is regrettable that government representatives did not cooperate. They insisted on sending the director of research many letters of request. The director was contacted for even the smallest question.

Techniques for the population and sampling

Analytical scale

This study's main goal was to examine the part MFIs played in fostering SMEs. MFIs are the unit of analysis for this research, but because the researcher needed to collect a lot of data, SMEs were also significant to the equation and served as the basis for data gathering in this study.

Population

A population is typically a sizable group of people or things that is the subject of a scientific inquiry (Greener & Martelli, 2018). Typically, every person or thing within a population shares a unifying quality or trait (Castillo, 2019). A total of 50 registered SMEs and 45 MFIs made up the population under study. Because it would be impractical and expensive to conduct a study of this size, the researcher was unable to assess every personality in the community.

Population types in research

Target populations and accessible populations are the two basic sorts of populations used in research (Greener & Martelli, 2018). The term "target population" refers to the total set of people or things that researchers are interested in using as a basis for extrapolating their findings about (Mae Sincero, 2021). The theoretical population is another name for the target population, which has a variety of traits. The second is the accessible population, which is the group of people to which researchers can apply their logical inferences from their research (Walliman, 2011). The study population, which also included the chosen MFIs and SMEs, was a subset of the intended audience. MFIs and SMEs in Harare made up the accessible population from which the researcher's samples were drawn (Cooper and Schindler, 2018).

Sampling Distinct

Sampling is the process of choosing components from a population to serve as a representative sample of the complete set. A sample, according to Greener & Martelli (2018), is a subset of all observations. Therefore, sampling was a crucial procedure carried out as part of the research process. A representative sample is one that accurately reflects or demonstrates the traits or attributes of the population from which it was drawn without bias. In addition, the sampling approach tends to restrict researchers' capacity for generalization. According to Brewerton and Millward's observations, access to the full population was not feasible given the magnitude of the population this study was aiming to reach. When conducting research with an unlimited population, sampling is a more optimal method. Studying the entire populace was impossible. Since sampling is very simple to handle and improves accuracy compared to using the entire population, the researcher was forced to use it.

Above all, it is affordable because the researcher was limited to Harare and required less time. By choosing a sample based on convenience and judgment, the researcher attempted to obtain an accurate approximation of the truth given the nature of the study. Although the target population is dispersed over the entire country, the researcher made a conscious decision to draw the entire sample from one representative city, in this case Harare. In order to select a sample from the target population, the researcher combined judgmental and expert selection procedures. The analysis only includes MFIs in Harare and SMEs that meet the requirements of the Ministry of Small and Medium Enterprise Development. Harare was selected because it serves as both Zimbabwe's administrative centre and capital city. MFIs and SMEs are the dominant business types in Harare. The sample that was selected was representative of the whole population. According to Saunders, Lewis, and Thornhill (2019), the survey results from a well chosen sample should nearly match the results that would have been achieved had the entire population contributed data.

Judgmental or Expert sampling

This kind of non-random sampling gave the researcher complete control over the elements that were chosen for the sample. The optimum sample was selected by the researcher at his discretion. Since the researcher believes that some population members (MFIs and SMEs) have better or more information than others, this method is the most appropriate. The researcher decided to employ it because of this.

Sampling for convenience or availability

In addition, the convenience sampling technique was used based on how close the MFIs and SMEs were to the researcher. The elements that were close by were chosen, and those that were out of physical or communication reach were not taken into account. The researcher picked this approach because it allowed him to employ components local to him, namely respondents from Harare SMEs and Microfinance Institutions. It was convenient to draw the sample in Harare, which also helped to cut expenditures.

Methods for collecting data

Data collecting procedures are the actions taken to administer research tools and collect data from study participants. In order to collect data for this study, both primary and secondary data sources must be used to identify the data (Kombo & Tromp, 2020). In this study, information gathered through questionnaires. The secondary sources include information already available on SMES and MFIs in Zimbabwe, literature obtained from the Ministry of Small and Medium-Sized Enterprise Development in Zimbabwe, the Small Enterprise Development Corporation (SEDCO) of Zimbabwe, and the Zimbabwe Association of Microfinance Institutions, as well as information generally accessible on MFIs globally. The process for gathering data follow a planned approach intended to assure the collection of complete data.

A Questionnaire

A questionnaire is a research tool that includes inquiries intended to gather data for analysis. It is a list of every question designed to collect information from respondents in order to meet predetermined research objectives. It can also be considered a tool for gathering unprocessed data. In order to properly address the study questions and collect reliable and pertinent data for statistical analysis, the questionnaire's design is crucial (Cavana et al, 2022). The researcher chose this technology because it allows for anonymity, which make it easier to collect as much accurate data as possible. Questionnaires are far more objective than other instruments since they allow data to be presented in a systematic and consistent way. Each respondent receives the same set of questions, ensuring uniformity and standardization of responses. Questionnaires used by the researcher to collect data, and it is regarded to be the most appropriate way to get the opinions of the pertinent head/loan officers from MFIs that make up the sample.

The information gathered from MFIs aid the researcher in collecting pertinent data from SMEs through questionnaires that identified individuals fill out anonymously. To properly gather information from the respondents, the researcher included both open-ended and closed-ended questions in the questionnaire she created. The purpose of the open-ended questions primarily be to clarify if the Microfinance Institutions have adequately helped the SMEs. The basis for statistical analysis shaped by the closed-ended questions. To reach as many relevant people as possible for the least amount of money, the researcher physically administer the questionnaires and distribute them via hand delivery, emails, and other electronic social media. On the cover letter, a description of the study's goal was put, along with clear directions on how to fill out the questionnaire. The phone or cell phone was used for follow-up calls and to see how the questionnaire is coming along. To learn more about certain intriguing topics brought up in the questionnaire responses or areas that require clarification, phone calls occasionally be made. The questionnaire's design ensures that it was successfully collect primary information from the study sample. The difficulty in designing the questionnaire was converting the research goals into precise main data collection questions. Two sets of questionnaires were included as appendices, and the questions' contents and format requirements are of utmost importance.

The benefits with questionnaires

- ✓ Through the use of questionnaires, respondents were able to react without the prejudice that might occur during face-to-face interactions, which increased the quality of the data.
- ✓ The opportunity to respond to questions at their convenience was given to the respondents.

- ✓ Due to the importance of respondent confidentiality, the technique also helps to lessen embarrassment for respondents who are unaware of the topics being discussed.
- ✓ They are inexpensive, don't require a prior arrangement, and are bias-free interviews. They can cover a large number of people or organizations.

Problems with questionnaires

- ✓ Designing questionnaires was challenging.
- ✓ Questions had to be fairly straightforward, there had to be some waiting time before getting answers, there had to be a deadline, and no literacy issues were assumed.
- ✓ The sample size was smaller than intended, which introduces sample bias. Some questions went unanswered.
- ✓ Verbal communications were not probed, which could have been crucial for efficient communication.

Remedies

- ✓ The downside of the questionnaire is that the researcher has no control over who fills it out. In order to prevent a poor response rate, the researcher provided instructions on how to complete the questionnaire.
- ✓ Additionally, the poor response rate of this data collection tool was reduced by hand-posting and then personally collecting the respondents' questionnaires.
- ✓ The researcher encouraged the responders to complete all questions on the surveys before turning them in. Additionally, a section of comments was added to the surveys so that responders may provide any additional information.

The Questionnaire is pre-tested

Pre-testing the questionnaire was done at one of the Microfinance Institutions in partnership with SMEs because it can be difficult to get the questionnaire properly the first time. This made it easier to identify the questions' strengths and flaws in terms of question structure, language, and sequence. Response errors are minimized by pre-testing the questionnaire. As a result, validity and reliability are crucial to a research study and are described below.

Validity and dependability of the survey

The proper questions must be asked and must be asked in a clear manner in order for the questionnaire to be considered genuine. Validity is the degree to which a study or data gathering technique defines or measures what it is intended to measure (Lancaster, 2018). According to Remenyi et al. (1998), the degree to which a study accurately represents or evaluates the particular notion that the researcher is aiming to test is referred to as validity. Because people's true feelings are difficult to capture in questions like "yes/no," the validity of the questionnaire is often inadequate. Reliability is the degree to which an experiment, test, or any measuring process produces the same result on successive trials, according to Remenyi et al (1998). It refers to how reliable or continuous observations or measurements are. According to Saunders et al. (2019), researchers would be unable to adequately establish theories, draw conclusions, or make claims about the broad applicability of their research if they were unable to use research techniques and procedures that produce consistent measurements.

However, by physically distributing questionnaires and informing respondents that the information gathered is being used for educational reasons and cannot be linked back to specific persons since they did not divulge their identities, data validity and reliability were increased. By ensuring that replies match reality, are relevant, and have a broad applicability, the researcher also ensures the validity of the data. The consistency of responses to comparable or follow-up questions help guarantee the validity and dependability of the data. With the help of the supervisor, the questions were clarified so that every respondent filling out the questionnaires would understand them in the same way.

Presentation and analysis of data

Working with data, organizing it, breaking it down into manageable bits, synthesizing it, looking for patterns, determining what is significant and what needs to be learned, and deciding what you share with others are all part of data analysis (Rahi, S., 2017). Additionally, it involves interpreting research outcomes in relation to the research questions and assessing if the findings are consistent with the study theories and hypotheses (Cooper & Schindler, 2018:87). The qualitative method was primarily used by the researcher. The data were examined using SPSS version 21, which stands for Statistical Package for the Social Sciences. The software SPSS version 20 is perhaps the most well-known and extensively used, and it excels at graphical analysis. It features multiple statistical techniques, colourful graphics, and user and data interaction (Research Methodology 1, 2021). To display the distribution of responses, cross tabulation was be used.

The qualitative methods of content analysis and data matching were used to analyse the qualitative data. One of the most popular methods for analysing qualitative data is content analysis, which is characterized as a method for drawing reliable and reproducible conclusions about the context of data. Editing, coding, and processing of data are crucial for achieving a seamless data analysis and display; as a result, they are covered here with the use of descriptive statistical techniques like total score and simple percentage, the information gathered from the questionnaire was analysed, condensed, and then interpreted appropriately. Both qualitative and quantitative techniques were applied to the analysis of the acquired primary data. Using Excel, the quantitative data was analysed. Tables, charts, and figures used as the presentation format for the findings.

Evaluation of data

Each response to a questionnaire question and all information gathered from respondents were modified. This is done to ensure data completeness, correctness, and uniformity as well as to streamline coding and tabulation. The researcher thought of editing as a statistical and verifying process. Reduced mistakes in data sets was the goal. According to Cooper and Schindler's (2018) theory, editing entails a close assessment of the completed questionnaire to determine whether it satisfies the requirements for gathering meaningful data and to address incomplete questionnaires. When data is edited, errors and omissions are found and corrected to meet the minimum requirements for data quality (Rahi, S., 2017). The emphasis of editing is to find contradictions, impossibilities, and suspicious circumstances and correct them. Data editing raise the- caliber of the data for coding (Kothari, 2018).

Computing data

Dudovskiy (2019) define coding as the process of searching through the data for concepts and categories and then labelling similar passages of text with a code label so they may be quickly accessed at a later time for additional comparison and analysis. All of the survey's questions were coded by the researcher for effective grouping and analysis. The data were coded to make it easier to search the information, and comparisons were made to look for any patterns that needed more research. In other words, coding helped organize a vast number of responses into a select group of classes that contained the critical information needed for close examination. Direct access to the questionnaire's data (Cooper and Schindler, 2018).

Data processing

Data processing is hidden away, like the backstage of a play. However, the researcher process the data using SPSS Version 21. Officially obtained from a trustworthy international non-governmental organization was the SPSS program. There is also an online version of this statistical program at http://www-01.ibm.com/software/analytics/spss/. It is highly known and offers a variety of statistical processes, colour graphics, and user and data interaction (Research Methodology1, 2021).

Limited Research

- ✓ The respondent could struggle to remember details. It could be challenging to be completely honest in response to a contentious inquiry.
- ✓ A sophisticated research tool, a questionnaire can be very misleading if it is poorly structured.
- ✓ The researcher must make sure that the population's chosen sample responds.
- ✓ Responses from respondents are likely to be skewed.

Ethical insight

The respondents had the choice whether or not to participate, and participation was anonymous. In order to gain the respondents' confidence and trust and to prevent any kind of intimidation, the researcher keeps responses as private as possible and never asks for names. This technique does not need identification, and the outcomes are handled confidentially.

Conclusion

Given the purpose and design of the study, the researcher's primary sources were questionnaires and desk research. Desk research cannot be avoided because understanding and establishing the perspectives on the topic under consideration is essential to achieving the study's goals. The questionnaire offers helpful recommendations. Presentation and analysis of data will be covered in the following chapter.

CHAPTER IV

Research findings and discussions

Introduction

The research findings are presented in this chapter in the order in which they were discovered. The results will be examined using literary works where the conflict or relationship between the respondents' perspective and those of other authors is acknowledged. Bar graphs and tables are used to present the findings in this chapter. The research question from this study that is cited in chapter one is represented in each segment.

Reaction Rate

A total of 50 questionnaires were sent to the management of SMEs; the researcher received 30 that had been successfully completed. A total of 45 questionnaires were given to the staff and management of microfinance institutions (MFIs) by the researcher, and 33 of them were satisfactorily completed. The response rate is shown in Table 4.1.

Table 4.1 Response rate

Respondent	Quantity of questionnaires administered	Quantity of of questionnaires completed	Response rate
Management of SMEs	50	30	60%
Staff and Management of MFIs	45	33	73%
Total	95	63	66%

73% of MFIs responded to the survey, with 27% declining to do so. 60% of SMEs responded, compared to 40% who didn't. A total of 95 questionnaires were distributed to MFIs and SMEs; 66% of them received responses, while 34% did not.

4.3.1 Descriptive information

The purpose of this section was to offer the respondents' demographic data.

4.3.1 Position at work

The responders were requested to provide a picture of their job title. Figure 4.1 displays the outcomes.

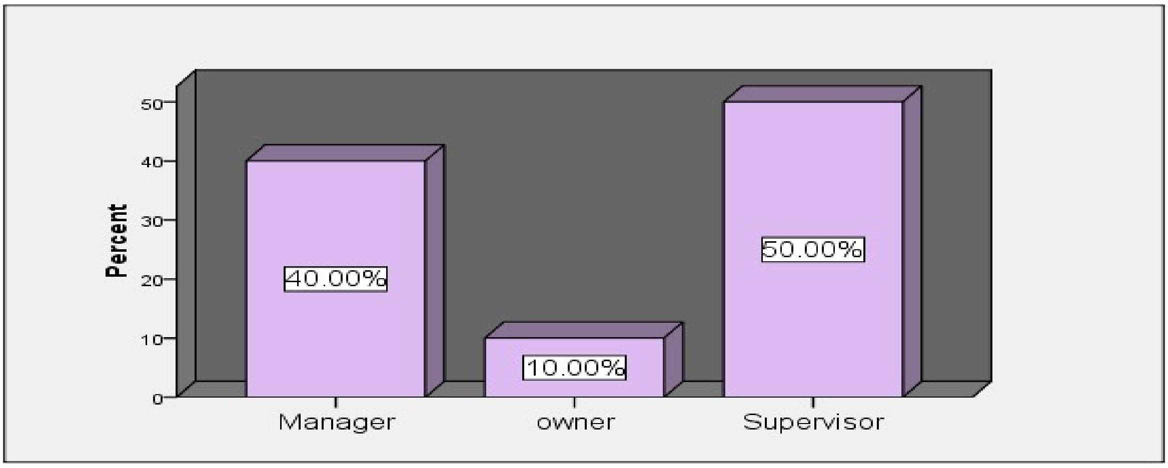
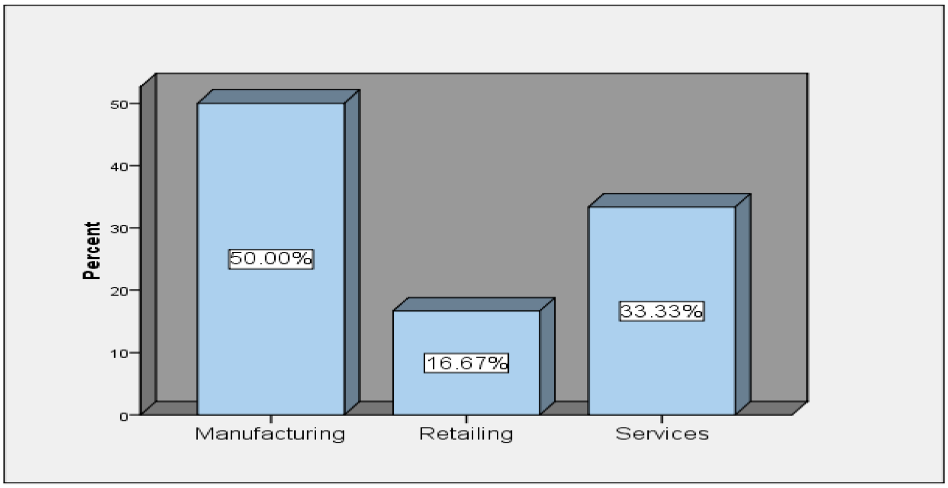


Figure 4.1: Positions at Work

According to Figure 4.1, 40% of respondents were managers, 10% were SMEs' owners, and 50% were supervisors. Only the management responded because they are the ones in charge of the organization.

4.3.2 The business's primary activity



Main Activity, Figure 4.2

A little over 50% said they were in the manufacturing sector, 16.67% said they were in the retail sector, and 33.33% said they were in the service sector. This demonstrates that the majority of the study's respondents worked in the manufacturing industry. Manufacturing-related SMEs have a high probability of borrowing since they require a lot of money for their operations.

4.3.3 Business owners

The results of the investigation, which aimed to identify SME ownership, are shown in figure 4.3.

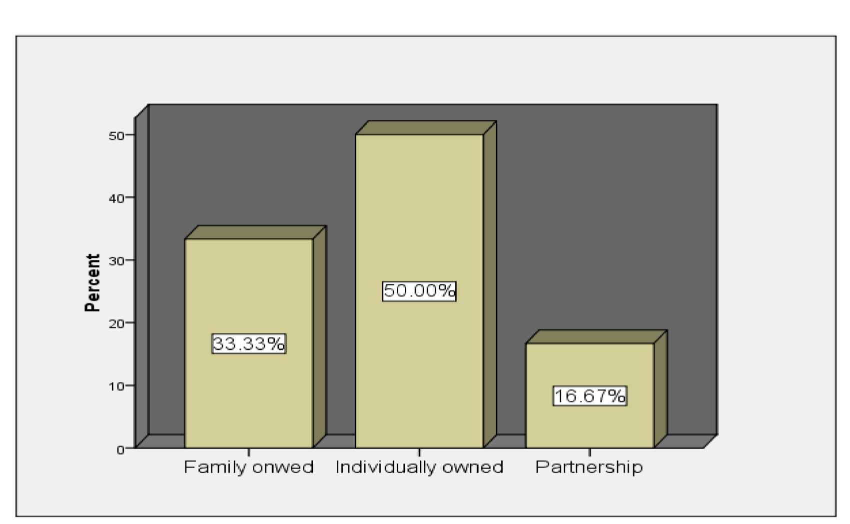
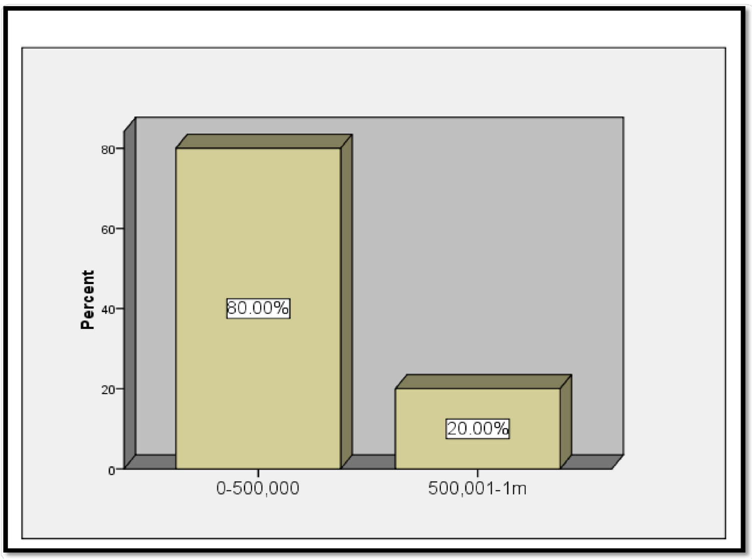


Figure 4.3: Ownership of SMEs

Figure 4.3 shows that 33.33% of respondents said the company is family-owned, 50% say it is independently owned, and 16.67% said it is a partnership. The vast majority of survey participants insisted that SMEs are privately held. This suggests that privately owned SMEs make up the majority in Zimbabwe.

4.3.4 Annual Turnover on Average

SMEs' average annual turnover is seen in Figure 4.4.



Annual Turnovers, Figure 4.4

According to Figure 4.4, 80% of respondents claimed their annual turnover is between $0 and $500,001, while 20% said it is between $500,001 and $1 million. Most of the respondents' turnovers are in the range of $0 and $500,000.

Section B: 4.4

The findings and discussions around the MFIs' answers will be highlighted in this section. When asked if they had any unique loan options for SMEs, (MFIs) said. Figure 4.5 displays the outcomes.

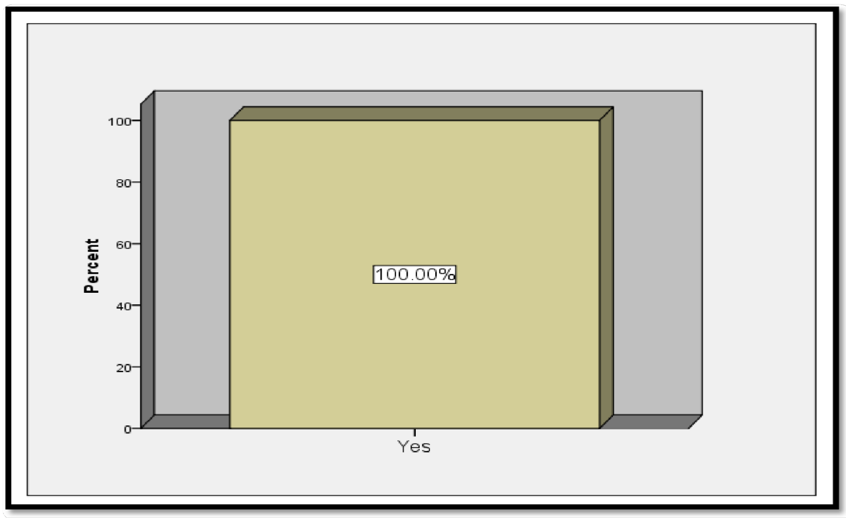


Figure 4.5: Special lending for SMEs

As a result, MFIs offer a unique facility for lending to SMEs. This suggests that MFIs have a target to lend to SMEs. The findings were similar with those of Elsie Peneyambeko Uusika (2018) that MFIs offers unique services that is savings mobilisation, microcredit and financial skills training MFIs are carrying out their responsibility to fund SMEs especially. The two common methods of funding the firm from a range of options were to be chosen by the respondents from SMEs institutions. The outcomes are displayed in Table 4.2.

Table 4.2: two principal sources of funding

Methods of financing	**Frequency**	**Percent**
Personal funds	20	67%
Overdraft/loan	30	100%
Lease/hire purchase finance	0	0
Trade credit	0	0
Involving support from government	0	0
Grants	0	0

Table 4.2 shows that 67% of SMEs use personal funds and all SMEs (100%) use overdraft/loan facilities. The findings indicate that overdraft/loans is the most prevalent way to finance a business. This goes hand in hand with the findings of Tania Chibvamindu (2018) that there is a positive relationship between microfinance loans and sales turnover of SMEs. This shows that SMEs rely more on loan/overdraft capital than other sources of funding, such as personal funds. Depending on the country, there are numerous types, including lease financing, invoice discounting, and bridging finance; nonetheless, it is challenging to implement in underdeveloped nations. This is so that SMEs won't wind up misusing equipment on hire purchase and taking advantage of the inadequate enforcement/compliance systems that the majority of MFIs in developing countries have. Generally speaking, MFIs provide the proper products for SMEs.

4.4.1 Time required for approval

The study continued to determine how quickly loans are approved in order to determine how well MFIs evaluate business plans and applications. Figure 4.6 displays the outcomes.

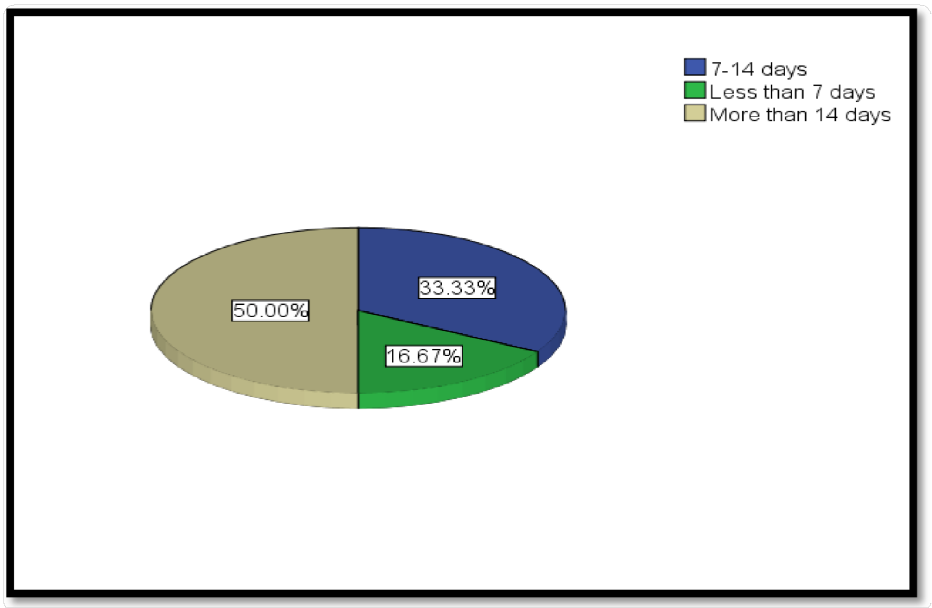


Figure 4.6: Turnaround time for overdraft/loan approval

Figure 4.6 shows that 33.33% said after 7-14 days, 16.75% said after 7, and 50% maintained that the overdraft is permitted after more than 14 days. The majority of respondents claimed that after 14 days, loans are authorized. It can be because MFIs will conduct extensive due diligence before approving a facility. For the majority of SMEs, everything becomes urgent when it comes earning money through experience. Additionally, the respondents were asked to indicate the stage at which they make a request for financial assistance.

According to the theoretical viewpoint, SMEs need investment as capital, particularly when they are having issues with viability (Syed et al, 2018). Figure 4.7 shows the outcomes.

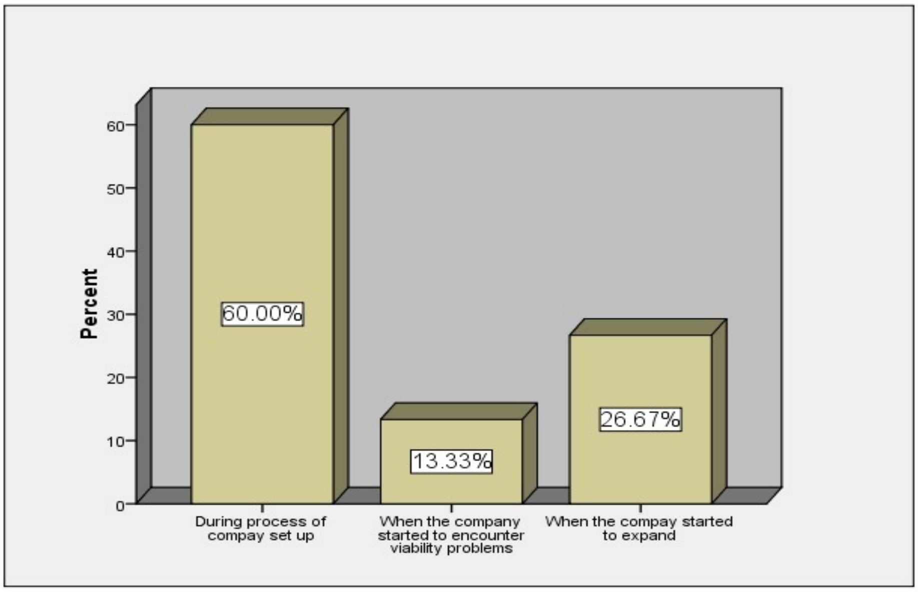


Figure 4.7: A formal request for funding

Approximately 60% of respondents stated they asked for financial assistance while setting up their businesses, 13.33% said it was when they first ran into viability issues, and 26.67% said it was when they first began to grow. The majority of respondents noted that they sought financial assistance while starting their businesses. The findings also collaborated with those of Anane, Cobbinah, and Manu (2013) that SMEs should be helped to start up and grow their businesses even more quickly than the existing growth rate by the rapid credit disbursement by MFIs, flexible repayment terms, increased lending amounts to SMEs, and revisions to interest rate. These SMEs occasionally do business out of the owners' homes in order to save money on office space rentals. Budget constraints have an impact on marketing and the capacity to introduce quality items to new markets.

Section C (4.5)

This section discusses topics including impediments to credit acceptance, tenors offered, price, interest rates, and other factors used to approve finance, among other things.

4.5.1 The Lending Standard

The study looked into the lending standards that MFIs apply to SMEs. Knowing the criteria utilized to weed out applications is the motivation. Table 4.3 lists the outcomes. Table 4.3: Loan Requirements

The criteria that MFIS utilized to choose SMEs
-capacity to pay -at least a year of operation in the ideal location -financial records - most recent two years' worth of yearly accounts -a Zimbabwe-domiciled corporate paperwork -the collateral security -a strong business plan -orders for and copies of invoices -bank account with a well-known institution -project viability -a minimum of one year of business operation -active bank account for three months -two of the directors must be Zimbabweans -the business must have been in operation for more than three months -a pro forma invoice to support the application -a strong history of credit.

Table 4.3 demonstrates that MFIs choose SMEs based on the following criteria: ability to pay, at least one year of proper operation, financial records, annual accounts for the most recent two years, company document domiciled in Zimbabwe, collateral security, viable business plan, copies and orders of invoice, bank account with main stream bank, viability of project, business existence of at least one year, two directors must be Zimbabweans, and

active bank account for three months. When determining if SMEs are profitable, the financial accounts are crucial. An analyst's vision of an organization and a genuine representation of it can be provided by its financial records. Above all, financial information indicates whether or not the clients have the financial means to repay the obligation. At the very least, the MFI is able to follow up on examining an entrepreneur's business operation because the company's domicile and business address must both be in Zimbabwe. Collateral security is crucial since it provides the lender with funds that can be sold to offset losses on the loan.
Knowledge instructs us Financial Institutions want to work with SMEs that they are familiar with since it makes it easier to refer to them using the Know Your Customer process (KYC). They will at least have a solid credit history, which makes it simpler to make selections. On a Likert scale, respondents from SMEs were asked to rate the various options that represent the most important factor taken into account by MFIs when a firm applies for funding.

1 = the most significant factor, 2 = significant factor, 3 = the neutral factor, 4 =the less significant factor, and 5 = the least significant factor.

Table 4.4: The most important factor MFIs take into account when granting finance to a company.

Most critical aspect considered by MFI s to avail funding to a firm	**1**	**2**	**3**	**4**	**5**
Collateral security	67%	17%	0%	16%	0%
Financial statements	0%	50%	16%	17%	17%
Projected cash flows	17%	67%	O%	16%	0%
Balance sheet size	17%	33%	50%	0%	0%
Rate of return or viability of the projects	33%	17%	50%	0%	0%
Qualification and expertise of the management	0%	17%	0%	67%	16%

According to Table 4.4, the expected cash flow (84%), financial statements (50%), size of the balance sheet (50%) and rate of return or feasibility of the projects (50%) as well as the management's qualifications and competence (17%) are all significant factors. Additionally, MFIs were requested to provide the crucial paperwork that SMEs must submit in order for them to be approved for credit facilities. According to the respondents, they should ask for sufficient security, company records, a company profile, proof of address, audited financial statements, ownership structure, an independent guarantee, cash flow, invoices, a copy of the directors' national identification documents, the name and nature of the business, and a project proposal.

These important factors that MFIs take into account put obstacles in the way of SMEs getting funding. Table 4.4 demonstrates that MFIs are more focused on collateral security than project viability. It also demonstrates that MFIs are not overly concerned with the credentials and experience of business owners. Before funding a project, MFIs should take this into serious consideration since it indicates whether the client has the necessary knowledge.
The main obstacles to SMEs receiving loans were also asked of the respondents. **Table 4.5: a roadblock to credit acceptance**

What are key barriers to the credit approval of the SMEs	**1**	**2**	**3**	**4**	**5**
Insufficient security	67%	17%	0%	0%	16%
Poor documentation	17%	67%	0%	0%	16%
Project proposal not accepted	33%	50%	0%	0%	17%
Previous credit record	33%	17%	33%	17%	0%
Own contribution too small towards intended projects	33%	33%	17%	0%	17%
Negative image of SMEs	33%	0%	50%%	17%	0%

84%), project proposals not being accepted (83%), own contributing too little to intended initiatives (66%) and prior credit record (50%) are the major obstacles to the credit acceptance of SMEs, according to Table 4.5. Respondents from MFIs were questioned about the obstacles they face while approving SME facilities. They claimed that SMEs lack business expertise, have ineffective marketing strategies, struggle with liquidity, have bad credit records, lack corporate governance, lack clear physical addresses, are unregistered businesses, and some don't have fixed operating offices. They also claimed that SMEs lack collateral and default.

The results goes hand in hand with that of Maina J.M (2014), who asserted that the microfinance intervention for SMEs funding previously encountered a barrier of restricted access to credit and financial services due to lack of collateral, an ineffective legal and regulatory environment that does not recognize creative lending practices, and a lack of structural institutional mechanisms to support the flow. SMEs had issues in accessing appropriate credit, which is mostly due to a lack of collateral and the banks' reluctance to finance their operations, validated the findings from both the SMEs and MFIs. The interest rates that SME operations pay at lending institutions make financing their operations highly expensive (Elsie Peneyambeko Uusika, 2018). The functions of SMEs are slowed down because they are unable to draw in and keep clients due to a lack of marketing expertise and inadequate market knowledge. Furthermore, the development of SMEs in Zimbabwe is hampered by a lack of managerial and entrepreneurial skills (Kyale, 2013).

4.5.2 Monthly interest rate levied by MFIS

The average monthly interest rate that MFIs charge was requested from the respondents. The results are shown in Figure 4.8.

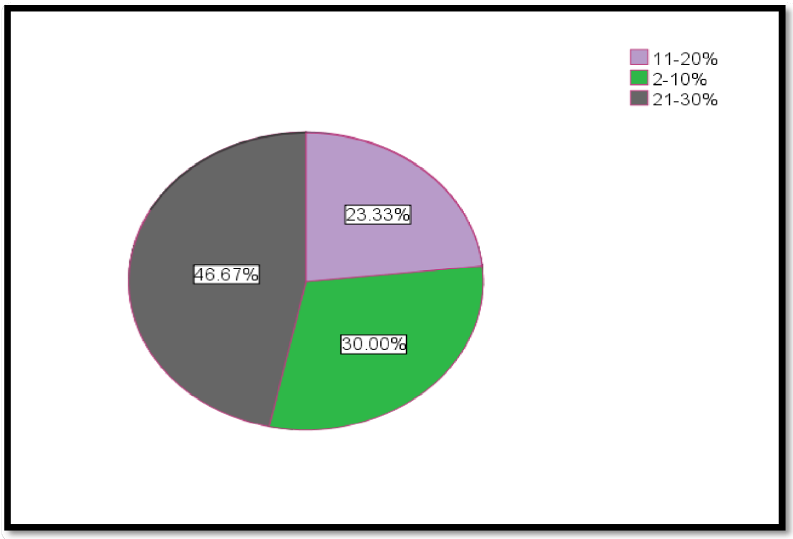


Figure 4.8: Interest rate

Approximately 47% of respondents stated that they pay an average of 21–30% in interest per month, 23% said they pay an average of 11–20% interest, and 30% said they pay between 1–10%. The findings show that the interest rates vary depending on the MFI providing the loan though more people are subject to high interest rates. The findings are similar with Tania Chibvamindu, (2018) findings that adequate microfinance access has a positive impact on profits, outlets, and sales volume though they are of higher interest rates. This means that the majority of MFIs lack access to cheaper funds for subsequent lending, and those that do are anchored by mainstream financial institutions, including FBC Microfinance, which is linked to FBC Bank (FBC Holdings Limited, 2021), and Microking Finance Limited, which is connected to Afrasia Kingdom Bank Limited. Figure 4.9 displays the findings of the researcher's request to MFIs that their market lending rates match those asserted by SMEs.

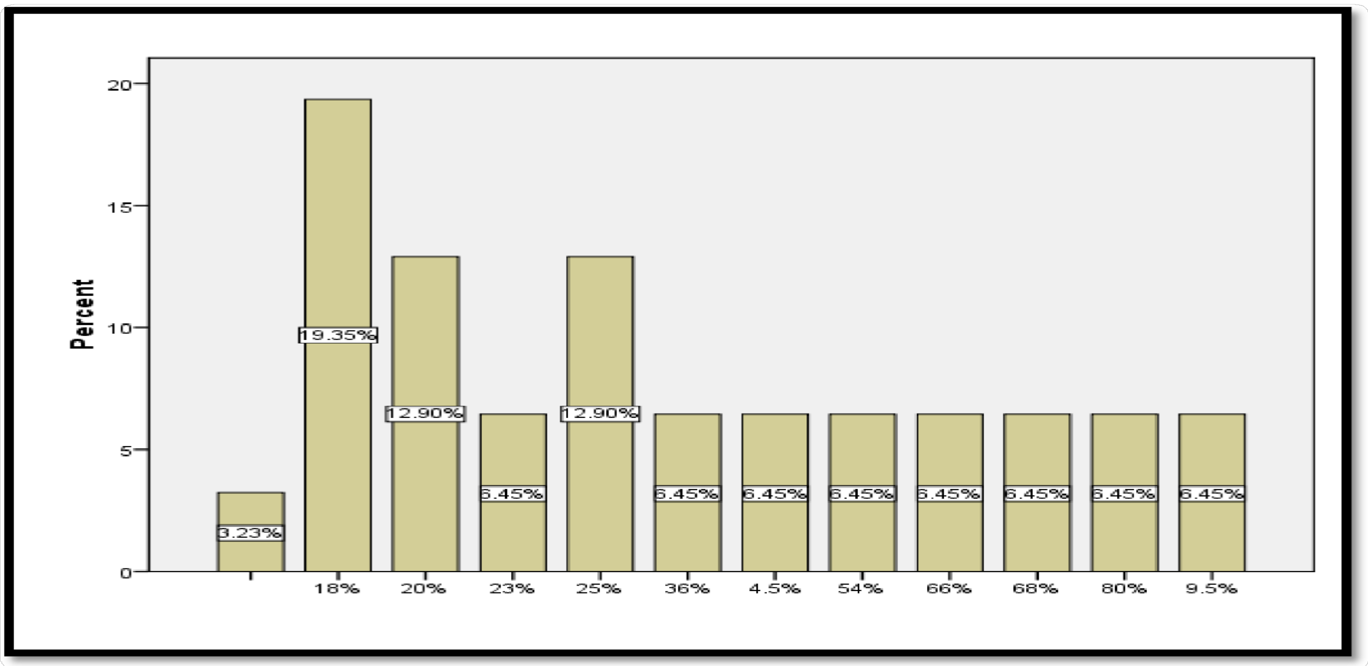


Figure 4.9: Lending rates

The lending rates that MFIs utilize are depicted in Figure 4.9. Rates range from 9.5% to 80%, demonstrating a wide range, and concurring with Figure 4.8 that the rates are excessive. When respondents (MFIs) were asked to provide justification for their lending rates, 22.2% responded that lending had a significant degree of risk and 20% said that the cost of the funding source was high. As shown in table 4.6 below, the majority, 28.9%, claimed that rates make up for the lack of collateral, while 13.3% said they took into account the economy's current market rates and 15.6% the cost of funds. The findings in figures 4.8, 4.9, and table 4.5 were repeated in the literature, which shows that certain MFIs cooperate with banks in order to offer microfinance services to SMEs. A few MFIs borrow money from banks and individuals, add a mark-up, and then charge their customers excessive interest rates to generate a profit. In the end, high interest rates reduce SMEs' profit margins.

The explanations for why MFIs charge the ostensibly high charges are shown in Table 4.6 below.

Table 4.6.Defining the rationale behind lending rates

Justification of the rates being charged by MFIs	
prevailing market rates in the economy	13.3%
cost of funds	15.6%
source of funds is expensive	20%
there is high risk associated with lending SMEs	22.2%
compensate for absence for collateral	28.9%

It's important to pay attention to the tenor that MFIs offer because it reveals whether they are thinking about the project's maturity or just the repayment process. The typical tenors that the microfinance industry offers are displayed in Figure 4.10.

4.5.3 Average tenor offered by MFIs on facilities

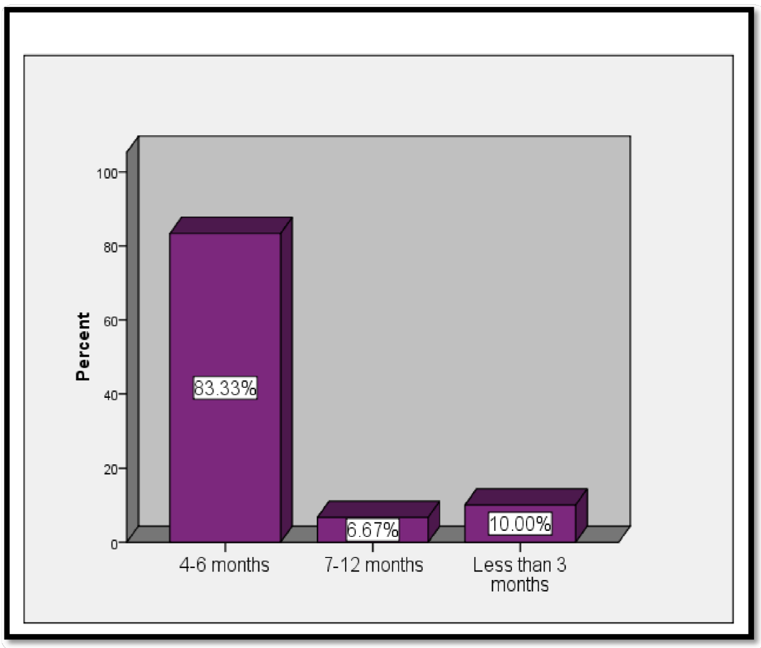


Figure 4.10: Average tenor offered by SMEs

According to Figure 4.10, 10% said less than three months, 6.67% said seven to twelve months, and 88.33% maintained that they offer an average tenor of 4-6 months. 83.3% of respondents, or the majority, stated that they provide tenors of 4-6 months. These findings demonstrate that the tenor is short for SMEs. Since the majority of businesses began to earn significant revenue within a year, short tenors are disadvantageous to SMEs. The study results are in collaboration with the findings of Ruth Gochera, (2019) that shows the payback period is short for the SMEs. However, short tenors are a result of the market's predominately short-term deposits. Additionally, it was important to comprehend how SMEs felt about the interest rates and loan tenors that MFIs were providing to the market. The question of whether lower interest rates and a longer tenor can help SMEs and hence increase profitability was therefore put to the respondents. The results are shown in Figure 4.11.

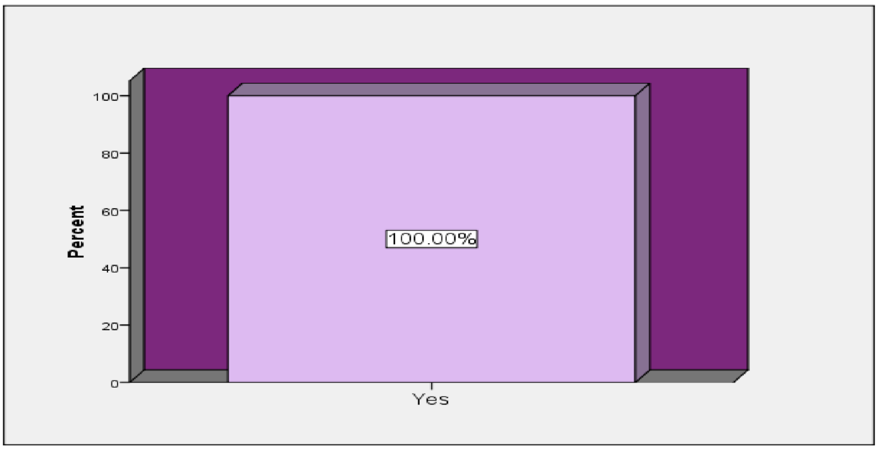


Figure 4.11 shows how widening the tenor and lowering interest rates improve profitability.

The findings insisted that broadening the tenor and lowering interest rates would increase profitability. The findings are the same with that of Olowe, (2013) that the lengthening of repayment period improves profitability of firms. The monthly instalment is decreased and the project is given more time to pay off its debt by widening the tenor and lowering rates. Since the cost of financing is an expense, lowering interest rates will eventually result in higher profits. The study examined the topic since the interaction between MFIs and SMEs is crucial because it determines the course of both industries' futures. As an example of MFIs' interactions with SMEs,

4.5.4 MFIS's encounters with SMEs

The MFIs were asked to discuss their interactions with SMEs, and the findings are shown in Table 4.7.

Table 4.7: MFIs' interactions with SMEs

Experience of MFIS with SMEs
a) a number of SMEs defaults
b) exciting to work with because they do not hide information which is easy to make decisions
c) face liquidity issues
d) SMEs are failing to repay, because of too high interest rates being offered.
e) Genuine SMEs services their loans but the fly by night entrepreneurs are very problematic

According to Table 4.7, 55.6% of MFIs consider SMEs to be defaulters. Another 11.1% of the MFIs under investigation felt that working with SMEs was interesting since they are transparent. While legitimate SMEs service their loans and that fly-by-night entrepreneurs are an issue, 13.3% of MFIs believed that SMEs were defaulting on their loans due to high interest rates. These findings demonstrate that the majority of MFIs are struggling with non-performing loan books as a result of unpaid loans. Failure of the project, financial difficulties, and the consequences of moral hazard can all lead to defaulting.

Wang (2013) asserts that banks and microfinance organizations base their lending decisions on their current relationships and forms of collateral-based lending since they believe that SMEs pose a higher default risk. For instance, the majority of Microfinance Institutions demand 1.5 to 2 times the amount of the loan as security in the form of a moveable asset. MFIs are requiring security in an effort to reduce the effects of information asymmetry and this goes hand in hand with the research results of Kwapwani (2014). Because one will be concerned that his or her property would be sold in the event of defaulting, this has helped to a certain extent in reducing defaulters.

Additionally, it isn't helping to a smaller amount because the majority of institutions are still holding on to illiquid assets. Furthermore, the process of disposing of a defaulter's property takes a very long time to complete, and MFIs have monetary obligations that must be met immediately. Another malignant issue that threatens the viability of MFIs is loan defaults.

Non-payment of loans demoralizes employees and prevents other deserving borrowers from accessing finance (Ministry of Industrialisation Trade and SMEs Development, 2016). Spending the entire day chasing wild geese is frustrating and demoralizing for the workers; in other words, some SMEs do not collaborate when they begin to default.

Section D (4.6)

4.6.1 Zimbabwean SMEs received complete financial support from FMIs.

If MFIs fully help SMEs, was the question posed to respondents. Figure 4.12 displays the outcomes:

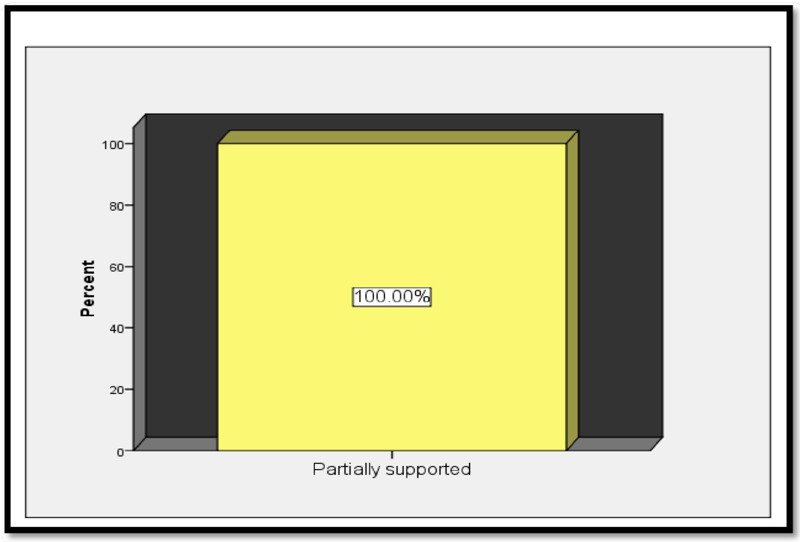


Figure 4.12: MFIs financial support

According to the findings, MFIs only partially help SMEs, which means they are not receiving the full support they would have liked. The result were similar with Christopher (2012) findings that SMEs receiving full assistance from the government, microfinance institutions (MFI), and commercial banks. During the start-up and expansion phases of the business, complete support should be provided. This is due to the fact that SMEs have the ability to improve Zimbabwe's unemployment issues, but this must be done appropriately. In Zimbabwe, failing to assist small enterprises may slow economic progress; nevertheless, care must be taken to prevent SMEs from developing a dependency syndrome. The respondents were asked to list any further forms of support that MFIs supplied. Table 4.8 reveals the results.

Table 4.8 Other forms of assistance

Other forms of assistance
Advice on viability of projects
Training on management of business
Basic Accounting for SMEs

According to Table 4.8, SMEs also provide guidance on project viability, management training, fundamental accounting, and financial advice. This will help SMEs manage sustainable initiatives or enterprises. SMEs will be able to plan their staffing sizes, budgets, and cost-benefit analyses in advance. Most importantly, they will be able to manage and run modest businesses. In essence, certain MFIs in Zimbabwe play an advisory function for those SMEs with which they have a profitable relationship. Financial institutions provide small and medium businesses in industrialized nations with training and education programs on how to manage a profitable business (World Savings Banks Institute, 2020). This is why SMEs in the USA are the engine driving the economy, as they have training and research facilities that focus on providing SMEs with financial and marketing advice from the government and MFIs (Reserve Bank of Zimbabwe, 2018). MFIs were also questioned about whether they provide training programs for SMEs. Figure 4.13 displays the outcomes.

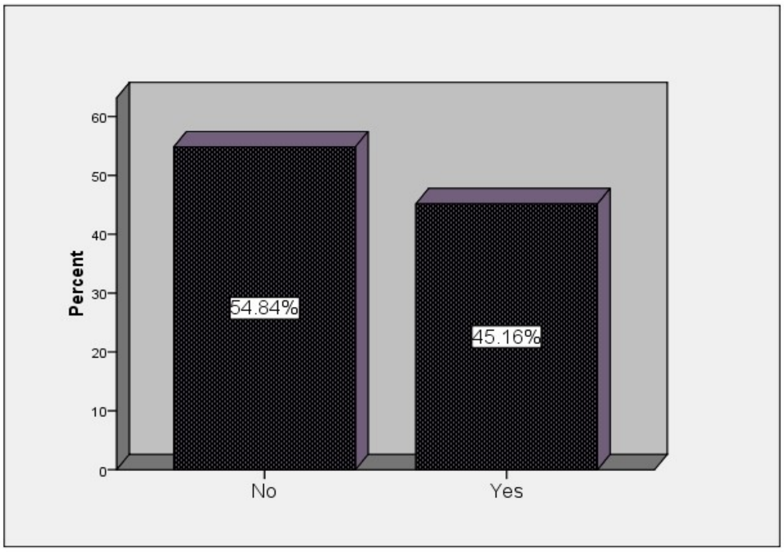


Figure 4.13 Training

Figure 4.13 shows that while roughly 45% do offer training services, about 55% maintained that they do not. As a result, MFIs do not provide training services to SMEs, which is a hurdle for the sector's growth. Because there are no business education programs available, SMEs will eventually stagnate and the economy will fail. The study results collaborated with the findings of Ruth Gochera, (2019) that business management training, and marketing services are the least offered by the MFIs. However, SMEs only care about money and won't take part in training programs offered by other organizations unless they receive financial incentives. According to this report, a large number of MFIs fail to instruct their clients on fundamental business concepts.

The government's actions to promote the growth of SMEs were also asked about by the respondents. Figure 4.14 shows the outcomes.

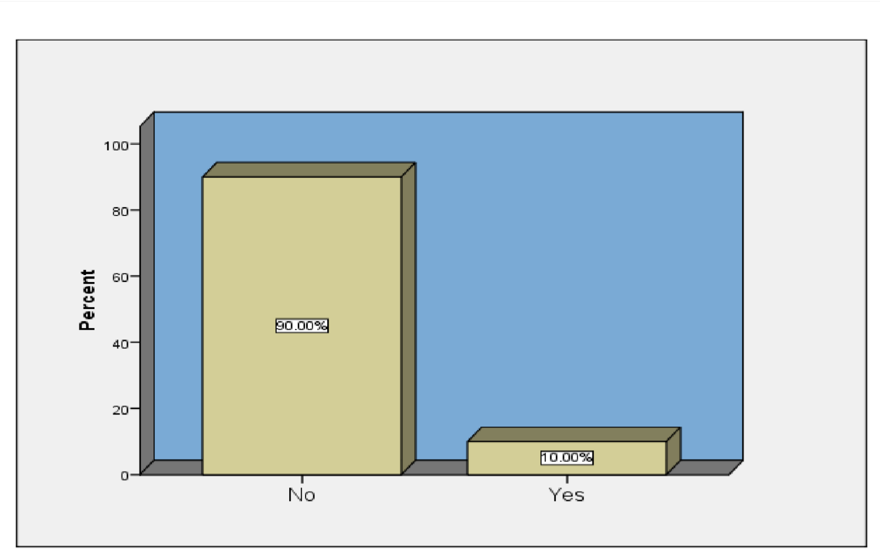


Figure 4.14 Governmental targets for assisting SMEs

According to Figure 4.14, 90% the findings are; the government was not taking any action to support SMEs. The government is currently attempting to help by providing tax concessions and encouraging SMEs to create clusters for assistance. Unfortunately, loans are the primary source of help that SMEs want. They are not particularly interested in other kinds of help. Oluntunla and Olaoye (2014) made the point that if the government, microfinance institutions, and other key players make a real commitment to the development and growth of the SMEs sector, their economies will undergo significant change and prosper. In an effort to raise the standard of living in developing countries, some international development organizations have teamed up with governments and microfinance institutions. This has been successful in increasing capital availability and lowering lending costs

.

The study went on to determine if mentoring and technical support from MFIs may significantly aid in boosting SMEs. Figure 4.15 displays the outcomes.

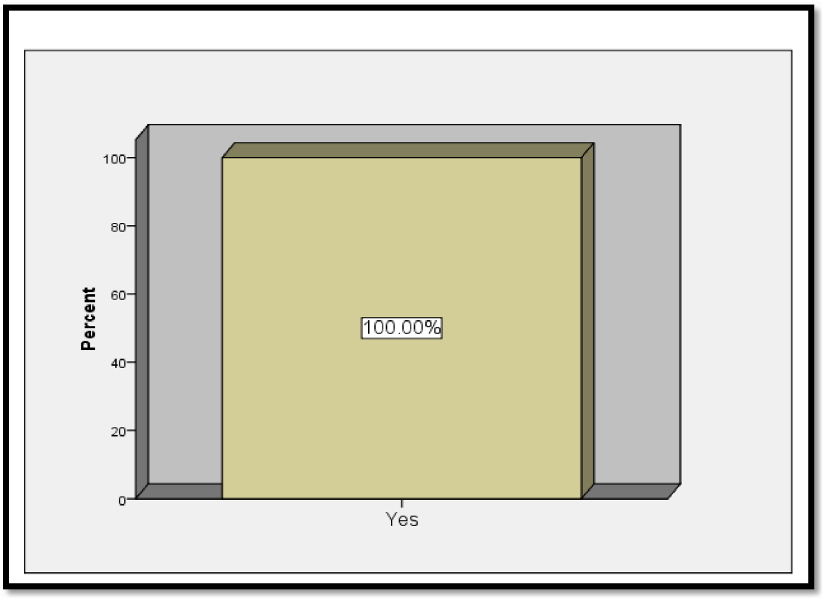


Figure 4.15 Technical support and mentoring

As a result, all respondents believed that MFIs' technical support and mentoring may greatly aid in promoting SMEs. Making incubators for people who are just starting their enterprises is one way to provide mentoring. MFIs and reputable organizations may have some sort of collaboration agreement for MFIs to provide technical support. The results are also in line with the findings of Ruth Gochera (2019) and Kyale (2013) that MFIs offer a range of services and goods, including small business accounts, mentoring, and training in business management, technical support and financial literacy skills that are promoting SMEs. Small-scale business loans are the main product that MFIs offer among all of these. This is feasible because, as demonstrated by, SMEs collaborate closely with large corporations.

4.6.2 Favourable form of finance

The most preferred kind of finance was also questioned of the respondents. Figure 4.16 displays the outcomes.

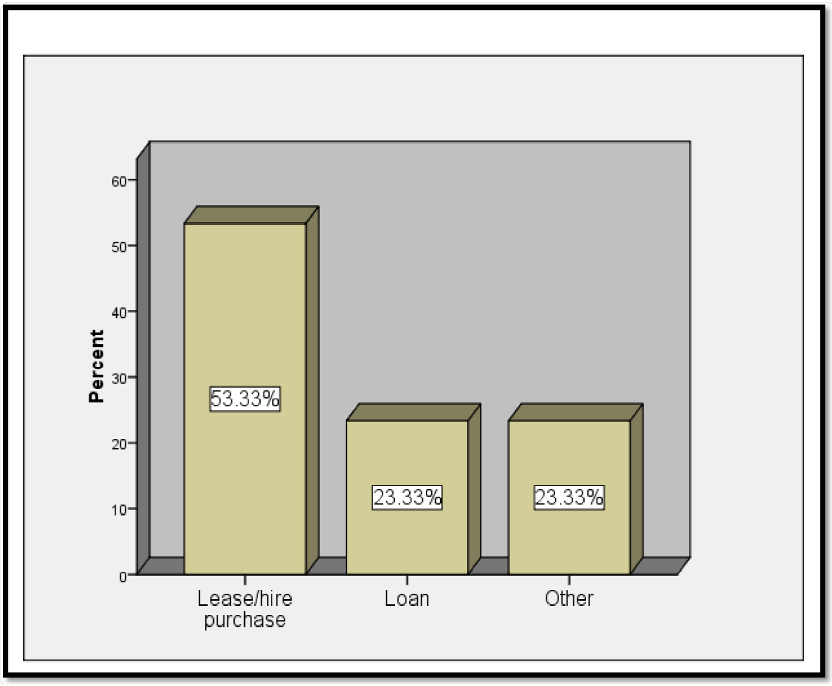


Figure 4.16: Favoured form of outside finance

Figure 4.16's results demonstrate that 53.33% of respondents selected lease/hire buy, 23.33% preferred loan, and 23.33% preferred alternative funding such as venture capital. The fact that they would keep the plant or equipment after paying off the loan in full made lease/hire buy funding preferred by the majority.

4.6.3 Future growth projections for the next two years

In the next two years, respondents were questioned about the predicted growth of their business in terms of revenue growth. The outcomes are shown in Figure 4.17.

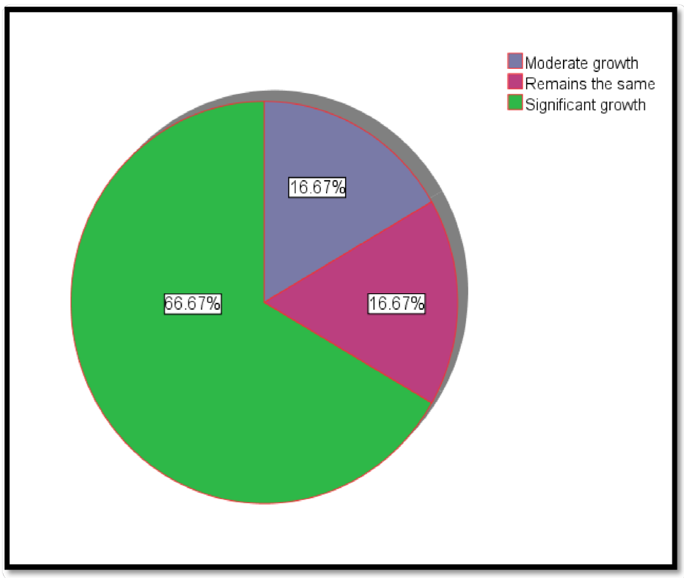


Figure 4.17: Expected growth in the next 2 years

The results from figure 4.17 reveals that 66.67% of the respondents expect significant growth, 16.7% expect moderate growth while 16.7% expect to remain the same. The majority of the respondents were optimistic that they will have a significant growth. The outcome of the study concurs with the findings of Halipha Iddy Mnunka (2018) and Ahibor (2013) that SMEs are more likely to be aware of MFIs and to acknowledge the positive effects of their loans on fostering their expansion.

4.6.4 The future limiting factor to get financing from SMEs

The researcher went on to investigate the future limiting factor of to get financing from SMEs. Figure 4.18 indicate the results

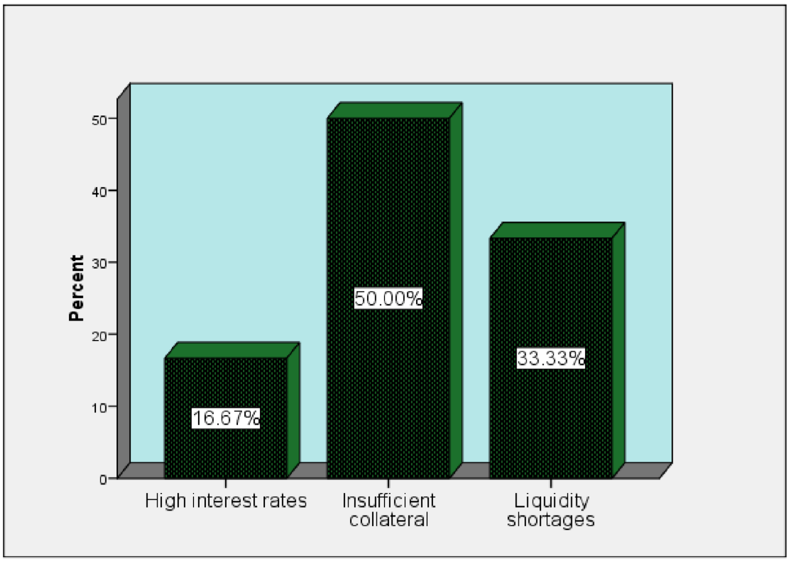


Figure 4.18: Limiting factor to get financing from SMEs

Figure 4.18 indicates that 16.67% of the respondents maintained that they will be limited by high interest rates, 50% maintained that they will be limited by insufficient collateral while 16.7% maintained that they will be limited by liquidity shortage. The main limiting factor is the collateral as suggested by the majority of the respondents. The findings indicates that MFIs are demanding collateral security which most of the SMEs do not possess.

The study findings agree with that of Maina J.M (2014) that the microfinance intervention for SMEs funding previously encountered a barrier of restricted access to credit and financial services, a lack of collateral, an ineffective legal and regulatory environment that does not recognize creative lending practices and a lack of structural institutional mechanisms to support the flow. Interest rates are high not because of MFIs making but due to supply and demand dynamics. This is due to the scarcity of money in the market as supported by 33.33%

who indicated that liquidity challenges limit access to funding. This challenge can be addressed by enticing cheaper offshore lines credit.

4.6.5 Future of SMEs in Zimbabwe

Respondents were asked on the future of SMEs in Zimbabwe. Respondents suggested that;

Table 4.9 Future of SMEs

Future of SMEs
if government and MFI support SMEs the future will be bright
SMEs are promising if there is adequate funding
SMEs are future corporate if there is government support
Stagnant growth

Table 4.9 indicates that respondents felt that if government and MFIs support SMEs the future will be bright. Respondents also highlighted that SMEs show more promise when there is adequate funding. Respondents also pointed out that government support will determine the bright future of SMEs while other still felt that SMEs will not grow. From the findings it is clear that if MFIs and the government support SMEs, the future will be successful and the challenges will remain if there is no adequate funding from the government and MFIs. The study also echoed Kapwani (2014) who found that in order to remove barriers to SMEs development, the government should figure out how to create a stable economy.

4.7 Performance of SMEs

MFIs were asked on the performance of SMEs. Figure 4.16 show the results

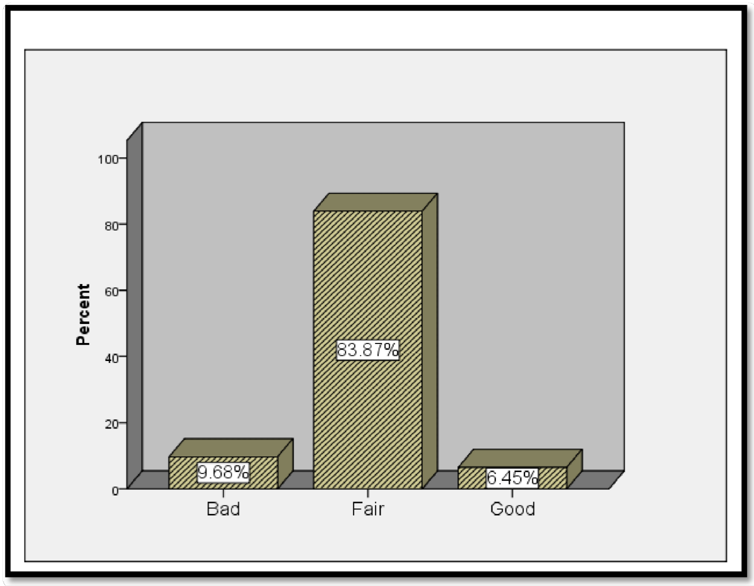


Figure 4.19 Performances of SMEs

About 9.68% maintained the performance that is bad, 83.87% maintained that its fair, 6.45% maintained that it is good. According to this study the majority of the MFIs respondents maintained that the performance of SMEs is fair. MFIs measure the performance of SMEs through their ability to pay off debts as well as profitability of the entity.

4.8 What MFIs and government are expected in alleviating SMEs plight?

Table 4.10 What is expected from MFIs and government

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid acquire off shore financial at reasonable prices and tenures to minimize on cost of funding	6	20.0	20.0	20.0
cheap funding is needed	4	13.3	13.3	33.3
government should not politicize SME funds	4	13.3	13.3	46.7
Mentoring of SMEs	6	20.0	20.0	66.7
Government must promote a buy in Zimbabwe policy	6	20.0	20.0	86.7
requirements for collateral security should be flexible	4	13.3	13.3	100.0
Total	30	100.0	100.0	

Table 4.10 indicates that MFIs and Government may acquire off-shore finances at reasonable prices and long tenor to minimize on cost of funding (20%). This might not be feasible at the moment considering Zimbabwe’s relations with other international countries. Cheap funding is needed (13.3%) and government should not politicise SMEs funds (13.3%). Government must promote a buy in Zimbabwe policy (20%) and requirements for collateral security should be flexible (13.3%). These results indicate that SMEs have a feeling that affordable funds and long tenor as well as government involvement in SMEs will reduce the problems that SMEs are facing. The results are in line with the findings of Olowe, Moradeyo and Babalola (2013) which concludes that MFIs must lengthen the loan repayment duration.

4.9 Chapter Summary

The chapter has provided the research findings and analysis. The findings were from the management of SMEs and those from MFIs as well. Is has been noted that MFIs are partially executing their role in supporting SMEs financially and to some extent providing advisory role to SMEs. It is however mentioned that MFIs requirements are on the steep side which hinder them from playing their role more significantly. The requirements were set to weed out fly by night entrepreneurs so that much effort is drawn towards the genuine SMEs. Costs of funds are inhibiting both MFIs and SMEs in playing their roles in the economy. The next chapter provides the research findings and conclusions.

CHAPTER V
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the conclusions and recommendations of the study. The conclusions were drawn from the findings presented in chapter four. From these conclusions recommendation are made. An area of further study is also presented in this chapter.

5.2 Summary of the findings

5.2.1 Role played by MFIs towards the promotion of SMEs;

The research found that MFIs have special lending for SMEs. It has also been noted that MFIs provide loans for SMEs based on collateral lending. The research concluded that MFIs provide capital through overdrafts and loans for SMEs to start their projects as well as allowing continuation of the businesses. Besides financial assistance MFIs offer advice on the best projects that are viable in the market and how best they can be implemented, provide training courses on business management and accounting principles. This helps SMEs in the management of their businesses. The research also found that MFIs provide mentorship and technical assistance to SMEs.

5.2.2 Evaluate the impact of Microfinance Institutions on SMEs development;

The research concludes that MFIs are assisting SMEs partially and their funding is not enough for the development of SMEs. The majority of the MFIs are not providing training facilities to SMEs. SMEs rely on funding and if the funding is limited SMEs will not grow due to lack of capital. SMEs need mentorship and technical assistance from the MFIs and failure to provide the mentorship and the technical assistance to SMEs will result in them not prospering. Viability and flexibility of MFIs in their services to SMEs will cause SMEs to grow.

5.2.3 Examine the challenges of accessibility to capital for the development of SMEs;

There are number of challenges that are affecting SMEs in their quest to access capital. The study concludes that SMEs have insufficient security and are not able to provide the collateral requested by the MFIs. SMEs lack proper documentation whereas the MFIs request proper company documents registered by the Companies Act of Zimbabwe. SMEs also face the challenge of their project proposals not being accepted due to lack of technical knowledge and the project proposed not being considered sufficiently viable to warrant a loan facility. The other challenges are that SMEs are often already saddled with debt when they approach potential funders which become a hindrance since the MFIs request for previous credit records.

5.2.4 Identify the bottlenecks facing the Microfinance Institutions;

The research established that MFIs are unable to provide cheap funding as they in turn source deposits from expensive sources. As a result their lending rates tend to be steep. MFIs are also facing liquidity challenges because of the credit crunch experienced in the economy.

The research established that MFIs are facing challenges of high risk in lending to SMEs because often SMEs do not have the required collateral. SMEs have an unfortunate reputation for defaulting on loan conditions and this becomes a challenge for MFIs to finance them. SMEs do not have business continuity plans in place, hence it becomes difficult for MFIs to finance them because in the event of death of the owner the loans may be difficult to recover. MFIs felt that SMEs lack business expertise, often run with a poor marketing strategy, lack proper corporate governance and there is often no clear physical address because some SMEs are unregistered and have no offices from which they operate.

5.3 Conclusion

MFIs are not fully promoting the SMEs because SMEs lack collateral security although there is a positive relationship between a loan offered by the MFIs and the profit level of SMEs. Their requirements are too steep for SMEs to acquire funding. The cost of borrowing is huge and tenors are too short for SMEs to generate sufficient income to equally service debts. The Government of Zimbabwe must fully consider the establishment of SMEs Bank and in the meantime guaranteeing a portion of MFIs loan book.

5.4 Recommendations

The following recommendations were provided;

5.4.1 Recommendation to the MFIs

MFIs should find ways to increase the grace period of loan repayment before they start to recover their loan since some projects may take longer before profits are incurred. They should also try to reduce interests rates charged on loans so that SMEs’ profit margin increases. MFIs have also a great responsibility to ensure proper use of borrowed funds which is very important in enhancing survival of the business. Proper and extensive monitoring activities have to be done to borrowers. Services should be customer based meaning whenever MFIs decide to introduce products and services it must leave clients in a better position.

The research recommended that MFIs must be flexible in terms of their collateral security requirements. SMEs are not accessing loans due to lack of the required collateral. The collateral security must not be too big to the extent that the SMEs will have difficulties in meeting the requirements. However it will be difficult for MFIs to relax the requirement of collateral security since they also want comfort against funds loaned.
The research recommends that MFIs must increase ease of access to credit for SMEs in order to increase their incomes as well as providing technical support to such groups through training, advice and counselling. Training to increase the managerial know how in business management is very important for the success of SMEs. Since SMEs are very important in the economy, such kind of support is needed. In Zimbabwe the majority of the owners of SMEs did not acquire formal skill for the businesses they are in. There is therefore a need for the government to provide training support to increase knowledge regarding SMEs operations. By improving skills it leads to better productivity, efficiency and therefore to a more stable organisation.

MFIs must coordinate and collaborate with other financial services providers and linkages with formal financial institutions, and of course the RBZ. MFIs must invest in adequate skills and professionalism. To be viable and profitable, MFIs require experienced and skilled personnel that are able to professionally assess, approve and or decline facilities. This can be achieved by recruiting and remunerating the rightful qualified and experienced personnel.

5.4.3 Recommendation to the SME sector

SME owners should utilize credits for the rightful purposes and not otherwise. This will enable them to be able to pay back the loan thus avoiding seizure of their property. Entrepreneurs should not only make use of credit facilities but also nonfinancial services to help themselves in enhancing management skills when running their businesses. SMEs are also advised to learn and practice entrepreneurial skills when doing their business. They should also follow all businesses principles required when conducting business.

SMEs are also advised to fully register their companies in terms of the Company's Act of Zimbabwe. The company profiles must clearly state who owns the company and what the company offers so as to reduce the chance of failing to get funding due to lack of proper documentation. SMEs are also recommended to employ skilled peopled in their business and keep proper financial records. The cost of SMEs complying is very prohibitive. It will not make much business sense to entrepreneurs forking out $100-$200 to register a company. The researcher recommends that the government revisit and reduces registration fees to affordable levels like $20.

SMEs must form clusters or cooperatives for ease of access to credit facilities. Entrepreneurs are encouraged to bank/deposit their money with reputable banks. This enables banks to track deposits. This will make it easier for MFIs to approve loans for SMEs. Above all, SMEs must develop long term mutual beneficial relationship with banks and not try to only approach banks when in dire need of loans. SMEs must be professional in the way they conduct themselves. They must keep proper business records and other documentation, manage the financial accounts properly and craft bankable business proposals. Entrepreneurs must have clear business continuity plans and proper business addresses. Family owned businesses are prone to family disruptions due to family differences. Individually owned businesses often go down as the owner dies.

5.4.2 Recommendation to the Government

Policies which protect SMEs should be implemented since these people fall under those who are trying to solve unemployment and therefore should be given support. Studies have shown that the performance of SMEs greatly depends on the prevailing economic conditions of the country and the world at large. The Government therefore should strive to strengthen the economy as a way of helping out SMEs to survive and grow. Also the government should partner with MFIs in conducting public education so as to reach SMEs to seek the financial and non-financial services of FMIs.

The other issue of concern is that the government should come up with policies which will nature and promote local entrepreneurs by protecting their market from similar products and services, financing them and not only leaving this duty to MFIs who in most cases are seeking profit so that they get a good physical and financial environment to grow. The

Government of Zimbabwe should seriously consider the establishment of a SMEs Bank through the Ministry of Small and Medium-Sized Enterprises. In the meantime the government should assist SMEs by guaranteeing a certain percentage of MFIs loan books. The government must not politicize funds earmarked for SMEs. On the other hand they should vigorously fight against corruption especially in awarding contracts and tenders so that genuine SMEs benefit. This can be feasible if only our government allows professionalism and corporate governance to take charge.

5.5 Area of further study

An area of further study is recommended to assess why the SMEs are associated with information asymmetry and moral hazard issues which often cause MFIs to shun them.

References

1. Ahibor (2O13). The impact of Micro-finance on Small and Medium Enterprises (SMEs) in Ghana on the case of Ledzorkuku-Krowor Municipal Assembly.
2. Ali et al (2013) conducted a research on the accessibility of micro-finance for the small businesses in Mogadishu, Somalia.
3. Anane, Cobbinah and Manu (2013), Sustainability of SMEs in the rural areas of Ghana through the roles of Microfinance institutions
4. Babajide (2012). The effects of micro-finance institutions to small business growth in Nigeria.
5. Babalola, M. (2015). Impact of micro finance loan on small scale enterprise. , *Journal of The International Academic Conference for Sub-Sahara African Transformation & Development Vol. 3 No.*
6. Brownlee, A. (2012). Building a Small Business That Warren Buffet Would Love. New Jersey: John Wiley & Sons, Inc.
7. Burk, J. E., & Lehmann, R. P. (2006). Financing Your Small Business. Washington DC: Sourcebooks, Inc.
8. Business Dictionary, 2019
9. Byaruhanga, E. W. (2010). Lessons learnt from programs in India. Policy Research; Development Initiatives Africa.
10. Churchill, N.C and Lewis, V (1983) the five stages of SME growth. Harvard business review, vol 61, no 3, pp30-50.
11. Coase. S (1937) Finance for Small and Medium-sized Enterprises. Survey of SMEs.
12. Collis and Hussey, (2019). Questionnaire Design, Interviewing and Attitude Management Measurement, Printer Publisher, London.
13. Dudovskiy, J. (2019). The ultimate guide to writing a Dissertation in business studies: A step by step assistance. Retrieved from research-methodology.net.
14. Ekpete, M.S & Iwedi, M. (2017). Financial intermediation functions of microfinance banks in Nigeria; A vector autoregressive and multivariate approach
15. FBC Holdings Limited. (2021). Financial results for the year 2021. Harare: FBC Holdings Limited Group.
16. Greener, S., & Martelli, J. (2018). *An Introduction to Business Research Methods (3rd ed.)*
17. Gyimah, P & Boachie, W.K (2018). Effects of Microfinance Products on Small Business Growth: Emerging Economy Perspective. *Journal of Entrepreneurship and Business Innovation, 5.*

18. Haider. S.H., Asad, M., Fatima, M., & Abidin, R. Z. U.(2017). Micro-finance and Performance of Macro and Small Enterprises; Does training has an impact. *Journal of Entrepreneurship and Business Innovation.*
19. Hammer, A., Jabara, C., Gardenas, E., Wise, J., Grossman, N., Peterson, J., et al. (2010). SMEs: Overview of participation in United States Exports, Investigation No.332-508. Washington DC 20436: United States International Trade Commission Publication.
20. Hindle & Klyver, (2011). Research methods for business students. (5th edition) Essex, UK, Pearson Education.
21. Hoogstra, G & Baporikar, N (2016). Explaining firm employment growth. Small business economics, vol 22..
22. Importance of Small and Medium Enterprises. (2021)
23. International Finance Corporation. (2018). Mckinsey Database, World Bank
24. Jovanic, H (1982) Learning theory in the SMEs sector. International journal of small businesses, vol 18, no 3, pp 51-9.
25. Kapwani (2014). An assessment on the contributions of micro-finance loans to the SMEs in Tanzania.
26. Klinkhamer, M. (2019). Microfinance Recovery Study: For Zimbabwe Association of Microfinance Institutions (ZAMFI). Zimbabwe: SNV Netherlands Development Organisation.
27. Kombo, N & Tromp, T (2020). Research Methods for Business Students; 6th Edition. Edinburgh: Pearson Education.
28. Kyale (2013). The impact of MFIs on growth and development of SMEs, survey done in Machakos Town in Kenya.
29. LeBrasseur, R and Zinger T (1987) Growth momentum in early stages of business start-up. International small business journal, vol 221, no 3, pp 315-30.
30. Ledgerwood, J. (2016). Sustainable Banking with the Poor: Microfinance Handbook, An Institutional and Finance Perspective. Washington DC: World Bank.
31. Letts, A.N (2020). Handbook of research methods a guide for practitioners and students in the social sciences, (2nd Edition), Metuchen: Scarecrow Press.
32. Livingstone, W., & Perkins, A. (2018). Participation Action Research (PAR): Critical Methodology Considerations. Drugs and Alcohol Today, 61-71.
33. Mae Sincero, (2021). Business Research Methods (2nd edition)., Oxford: Oxford University Press.

34. Maina, J. M (2014). A survey on micro-finance services that contribute to entrepreneurial growth and development in Nairobi, Kenya.
35. Makorere (2014). The role of Microfinance in promoting Small and Medium Enterprises (SMEs) in Morogoro, Tanzania.
36. Mclaney, E. (2009). Business Finance Theory and Practice, 8th Edition. Edinburgh: Pearson Education Ltd.
37. McMahon, P.G (1998) Stage models of SME growth. Small business research. The journal of SEARZ, vol 6, no 2, pp 20-35.
38. Nembo, C. B. (2010). The impact of Microfinance Institutions in the development of Small and Medium Size Business (SMEs) in Cameroon: A case study of Camccul. Uppsala: Swedish University of Agriculture Sciences, Department of Economics.
39. Ngwenya and Ndlovu (2003), Linking SMEs to Sources of Credit: The Performance of Microfinance Institutions in Zimbabwe, International Labour Organisation, ILO Publications, Geneva, Switzerland.
40. Odebiyi and Olaoye (2014), The role that can be played by Micro-finance on the development of Small and Medium Aquaculture enterprises in Nigeria
41. Olowe, Moradeyo and Babalola, (2013). The impact of micro-finance banks on the growth of Small and Medium Enterprises in Nigeria.
42. Oluntunla and Obamuyi (2014), The impact of micro-financial institutions on the growth of SMEs in Nigeria
43. Oni et al (2012), Assessment of the Contribution of Microfinance Institutions to sustainable Growth of Small and Medium Scale Enterprises (SMEs) in Nigeria , Interdisciplinary Journal of Contemporary Research in Business, Vol 3 , No 9
44. Oni et al (2012), Contribution of Microfinance Institutions to continuous Growth of Small and Medium Enterprises (SMEs) in Nigeria.
45. Organisation for Economic Co-operation and Development. (2019). Promoting Entrepreneurship and Innovative Small and Medium-Sized Enterprises. Istanbul: OECD.
46. Osoro and Muturi (2013).The role of micro-financial institutions on the growth of SMEs in Kisi Town, Kenya.
47. Parker, (2019). Financing Your Small Business. Washington DC: Sourcebooks, Inc.
48. Penrose, A (1959) Theory of the growth of the firm, Gasport, Prentice Hall.
49. Peterson (2011) conducted a study on the relationship between performance of SMEs and the impact of micro-finance in Ghana.
50. Rahi, S. (2017). Research Methods. Irwin: Mc Graw Hill.

51. Reserve Bank of Zimbabwe. (2018). Monetary Policy Statement Issued In Terms of The reserve Bank of Zimbabwe Act Chapter 22:15, Section 46. Harare: RBZ publication.
52. Robinson (2003); the Microfinance Evolution: Sustainable Finance for the Poor, Washington DC, World Bank.
53. Sanya O & Polly M (2017). The impact of microfinance on microenterprises. *Investment Management and Financial Innovations*
54. Sarpong-Danquah, B., Gyimah, P., Poku, K., & Osei-Poku, B. (2018). Financial literacy assessment on tertiary students in Sub-Saharan Africa: A Ghanaian perspective. *International Journal of Accounting and Financial Reporting.*
55. Saunders, M., Lewis, P., & Thornhill, A. (2019). Research Methods for Business Students; 5th Edition. Edinburgh: Pearson Education.
56. Scott, M and Bruce, R (1987) five stages of growth in SMEs. Long range planning economics, vol 20, no 3, pp 45-52.
57. Small Enterprises Development Corporation (SEDCO) of Zimbabwe. (2021). Report on the policy implementation workshop for SMEs 25-27 October 2021. National Economic Consultative Forum. Harare: SEDCO.
58. Syed, H.H., Muzaffar, A. & Mina, F. (2018). Microfinance and Performance of micro and small enterprises; Does training has an impact. *International Journal of Small Business and Entrepreneurship Research, 6(4)*
59. The impact of micro-financial institutions on Small and Medium Sized Enterprises in Nigeria (Christopher (2012).
60. Wairimu Z & Mwilaria, S.M (2017). Microfinance Institutions social intermediation and micro and small enterprises survival in Thika town, Kenya. (2017). *Asia Pacific Journal of Multidisciplinary Research*
61. Walliman J. (2011). Financing warfare. New York: McGraw-Hill, Inc.
62. Wang (2013). The impact of micro-finance on the growth and development of SMEs in China.
63. World Bank. (2020). World Bank policy research working paper 3127. SME Department of the World Bank.
64. World Savings Banks Institute. (2020). Microfinance Services by Savings Banks in Africa. WSBI.

APPENDICES

APENDIX 1: Questionnaire for MFIs

Questionnaire on “ASSESSMENT ON THE ROLE OF FINACIAL INSTITUTIONS ON GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISEs.

Dear Respondent,

This is an academic survey questionnaire which is aimed at exploring the role of micro financial institutions in assisting SMEs to achieve growth.

Your kind assistance and objective response as the Manager/Loan Officer of a MFI will be greatly appreciated to ensure that accurate and relevant information are obtained to assist the researcher to make the correct conclusions and recommendations.

In order to ensure confidentiality do not put down your personal and company name on the questionnaire but please kindly answer all questions honestly and objectively so as to come with a genuine tool that can assist SMEs, MFIs as well as the Government of Zimbabwe.

INSTRUCTIONS TO ANSWER THE QUESTIONS

1. Kindly tick the appropriate box and fill the blanks where appropriate

2. Kindly attempt to answer all questions

SECTION A

1. Does your institution have a special lending facility for SMEs?

    Yes ☐

    No ☐

2. Do you have an institutionalized risk mitigation scheme for lending to SMEs?

    Yes ☐

    No ☐

3. In lending to SMEs, do you employ?

    Cash flow-based lending ☐

    Collateral based lending ☐

4. Does your institution have a credit rating system?

    Yes ☐

    No ☐

    If yes, do you use this as a basis for:

    Approval? Yes ☐ ☐

No

☐ ☐

Pricing? Yes ☐ No ☐

Monitoring? Yes No

5. What are your lending rates and justification to those rates?

    Rate: __________

Justification____

____

6. What is the most challenging problem that MFIs faces from the SMEs?

I.

II.

III.

IV.

7. What information does the MFI request from SMEs?

I.

II.

III.

8. What are the barriers in financing SMEs?

I.

II.

III.

IV.

9. What percentage of your loan portfolio is with SMEs?

____

10. What has been your lending experience with SMEs?

____

____

11. What is the lending criterion to SMEs?

- **I.**
- **II.**
- **III.**
- **IV.**

12. What is your turnaround time to process and approve/decline a facility?

____

13. Do you offer any training programs or workshops for SMEs?

Yes ☐

No ☐

14. How would you rate the performance of the beneficiaries of the SMEs Funds so far?

Excellent ☐

Good ☐

Fair ☐

Bad ☐

THANK YOU FOR YOUR TIME AND EFFORT IN ANSWERING THE QUESTIONNAIRE.

APENDIX 2: Questionnaire for SMEs

Questionnaire on "ASSESSMENT ON THE ROLE OF FINACIAL INSTITUTIONS ON GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISEs

Dear Respondent,

This is an academic survey questionnaire which is aimed at exploring the role of micro financial institutions in assisting SMEs to achieve growth".

Your kind assistance and objective response as the manager/owner of an SME will be greatly appreciated to ensure that accurate and relevant information are obtained to assist the researcher to make the correct conclusions and recommendations.

In order to ensure confidentiality do not put down your personal and company name on the questionnaire but please kindly answer all questions honestly and objectively so as to come with a genuine tool that can assist SMEs, MFIs as well as the Government of Zimbabwe.

INSTRUCTIONS TO ANSWER THE QUESTIONS

i. Kindly tick the appropriate box and fill the blanks where appropriate

ii. Kindly attempt to answer all questions

SECTION A

1. What is your position in your firm?

Owner ☐ Manager ☐ Supervisor ☐

2. What is the main role of your position?

____

3. What is the main activity of your company?

Manufacturing ☐ Retailing ☐ Services ☐

4. How many years of business operation?

Less than 3years ☐ 3years or more but less than 6years ☐

6years or more but less than 10years ☐ 10years or more ☐

5. Who are the owners of the firm?

Individually owned ☐ Family owned ☐

Partnership ☐ Venture capital firm ☐

6. What is the organisation's average annual turnover since dollarization?

$0 - $500,000 ☐

$500,001 – $1m ☐

More than $1m ☐

7. How many Microfinance Institutions (MFIs) do you have a transacting relationship with?

1 MFI ☐ more than 1 MFIs ☐

SECTION B

8. There are two common methods of financing the business i.e. internal funds or external funding. Which of the following sources of financing has your firm used for the past 12months?

Personal funds ☐

Overdraft/loan ☐

Lease/hire purchase finance ☐

Trade credit ☐

Grants ☐ [Involving support from government/NGOs]

Other – please specify ____

9. If your firm got an overdraft (OD) or loan facility, what was the turnaround time for the OD or loan approval?

Less than 7days ☐

Between 7 and 14days ☐

More than 14days ☐

10. At what stage has your firm requested for financial support?

During the process of company set up ☐

When the company started to expand ☐

Order financing ☐

When the company started to encounter viability problems ☐

Other – please specify ____

11. How many MFIs have you ever approached for credit support?

1 MFI ☐ more than 1 MFIs ☐

SECTION C

Answer the following questions by ranking the different options on a scale of 1 – 5, where:

(1) = Most important

(2) = Important

(3) = Neutral

(4) = Less important

(5) = Least important

12. What is the most critical aspect considered by MFIs to avail funding to a firm?	**1**	**2**	**3**	**4**	**5**
Collateral security (Brick & Mortar)					
Financial statements					
Projected cashflows					
Balance sheet size					
Rate of return or viability of the project					
Qualifications & expertise of the management					

13. What are the key barriers to the credit approval of the SMEs	**1**	**2**	**3**	**4**	**5**
Insufficient security					
Poor documentation					
Project proposal not accepted					
Previous credit record					
Own contribution too small towards the intended project.					
Negative image of the SMEs					

14. What is the average interest rate being charged by MFIs per month?

- 2 – 10% ☐
- 11 – 20% ☐
- 21 – 30% ☐
- 31 – 40% ☐
- More than 41% ☐

15. What is the average tenure offered by MFIs on facilities?

- Less than 3months ☐
- 4 -6months ☐
- 7 -12months ☐
- 13 – 24months ☐
- 25months or more ☐

16. What is the most challenging problem your entity is facing currently?

- Access to finance ☐
- Production costs ☐
- Competition ☐
- Availability of skilled & experienced staff ☐
- Other – please specify ______________________________

17. Reduction of interest rates and a widened tenure can go a long way in assisting SMEs, hence improving profitability?

Yes ☐

No ☐

18. Timeously disbursement of approved facility will result in improved business efficiency?

Yes ☐

No ☐

Other – please specify ____

SECTION D

19. Have the FMIs fully financially supported SMEs in Zimbabwe?

Fully supported ☐

Partially supported ☐

Not supported ☐

Other – please specify ____

20. Apart from accessing funding, what other form of assistance is offered by MFIs?

I.

II.

21. Has the government undertaken any targeted measures to help SMEs to prosper?

Yes ☐

If yes, which ones: ____

No ☐

22. Do you think mentorship and technical assistance from MFIs can be of much help in promoting SMEs?

Yes ☐

No ☐

23. What type of external financing would you prefer most?

Lease/ hire purchase financing ☐

Loan ☐

Trade credit ☐

Equity investment ☐

Other – please specify ____

24. How much does your company expected to grow in terms of revenue in the next coming two years?

Significant growth ☐

Moderate growth ☐

Remains the same ☐

Other – please specify ____

25. Do you feel that MFIs have supported SMEs enough to obtain their desired results?

Yes ☐

No ☐

26. What is the future limiting factor to get financing from the MFIs?

Insufficient collateral ☐

High interest rates ☐

Liquidity Shortages ☐

Other – please specify ____

27. In your own words, how do you see the future of SMEs in Zimbabwe?

____

____

28. Any Suggestions on what you think can be done to improve the performance of SMEs?

____

____

29. In your own words, what do you think MFIs and your government should do to alleviate SMEs plight?

____

____

THANK YOU FOR YOUR TIME AND EFFORT IN ANSWERING THE QUESTIONNAIRE.