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DEPARTMENT OF BANKING AND FINANCE

AN INVESTIGATION OF THE IMPACT OF COVID-19 ON THE FINANCIAL PERFOMANCE OF MICROFINANCE INSTITUTIONS IN ZIMBABWE. A CASE OF FMC FINANCE

By

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Dedication

I dedicate this dissertation to my family and my supervisor for continued support throughout the writing of this project

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The undersigned certify that they have read the dissertation and have approved its submission for marking after confirming that it conforms to the departmental requirements of Bindura University of Science Education, the project is entitled "Evaluating the impact of covid 19 on the financial performance of microfinance institutions in Zimbabwe" A case study of FMC Finance submitted by B190182A in partial fulfilment of the requirements of Bachelor of Commerce Honours Degree in Banking and Finance offered by Bindura University of Science Education.

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Dedication

I wish to dedicate this dissertation to my awesome God and to my family members.

Acknowledgement Form

I would like to express my gratitude first and foremost to the Almighty God who gave me the courage, guidance and strength during my study research. My credit and gratitude heads to my supervisor Dr. Mauchi whose intellectual guidance made the completion of this dissertation possible. I would also like to express my wavering support that I got from my parents Mr. and Mrs. Marufu who assisted me financially in pursuing this project. I would also like to express my gratitude to my sibling Tariro Marufu who supported me in completing this project.

Abstract

This study was mainly focused on investigating the impacts of COVID-19 pandemic on the financial performance of microfinance institutions with special focus FMC Finance in Zimbabwe. A descriptive statistics was adopted in which a random sample of 20 respondents was obtained through the use of a stratified random sampling. Data was collected using a close ended questionnaire. Data was then analysed using SPSS version 20 and correlation analysis technique .It was found that COVID-19 negatively affected the financial performance of microfinance institutions through fall in loans repayment, decline in loans disbursements, high nonperforming loans, liquidity challenges and closure of other branches. The study concluded that, COVID-19 imposed constraints affected financial performance and operational efficiency on the activities of microfinance banks. The study recommended that MFIs should digitize to cushion the negative effects of future pandemics. Online loan applications and loan approvals must be implemented by MFIs. The study also recommended that the regulatory framework for MFIs should design emergency funding and technical programs through Central Bank (RBZ) to support the growth of the microfinance sector in Zimbabwe.

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List of Abbreviations

BUSE	Bindura University of Science Education
FMC	Fist Micro Credit
MFIs	Microfinances Institutions
IFC	International Financial Corporation
SMES	Small and Medium Sized Enterprises
SPSS	Statistical Package for Social Sciences
WHO	World Health Organization
SARS	Severe Acute Respiratory Syndrome
NGO	Non-Governmental Organization
ZAMFI	Zimbabwe Association of Microfinance Institutions
MFBS	Microfinance Banks
RBZ	Reserve Bank of Zimbabwe
MFC	Microfinance Centre

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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter formed the basis of the study as its main focus was on the background of the study, problem statement, research objectives, research questions, limitations and definition of terms.

1.1 Background of the study

World economies are strongly affected by various forms of disasters. Some are natural disasters and others are man-made disasters. These disasters stretches from volcanoes, earthquakes, floods, epidemic and pandemic infections. During the last five years, there was an increase in epidemic and pandemic infections. These include Ebola, fluenza and the most recent deadly covid -19. Covid -19 was declared a world disastrous pandemic in March 2020 although it was firstly discovered in China in late 2019.

Wheatley (2021) articulates that covid -19 affected the livelihoods of people in various ways as it was characterised by lockdowns, restricted time of movements, closure of international business linkages, total shutdowns, deaths, just to mention a few. Developed and developing economies suffered from the effects of covid 19 and Zimbabwe is not an exception. Covid -19 virus hit hardly on Zimbabwean economy when the country was experiencing economic distress. The financial sector of Zimbabwe was affected by hyperinflation, exchange rate instability, policy inconsistency and shortage of liquidity. On top of that covid -19 came and worsened the situation.

It is well known that the role of financial institutions is to provide financial services like loans, insurance among others. Microfinances are not excluded from the mainstream of financial service provision. The main role of microfinance institutions is to provide financial services to the low income earners and small to medium enterprises that may not have access to acquire financial services from banks.

It is believed that financial performance of microfinances was drastically affected by covid- 19 as they faced forced business closures, restricted time of operations and failure to physically meet with their clients. The COVID-19 pandemic caused a number of challenges on MFIs like difficulties in loans disbursements, collection of repayments and physical meeting with clients. According to Zheng and Zhang (2020), the spread of the virus was not similar all over the world. The implication does not depends on the location of the microfinance banks in relation to covid- 19 prevalence ,but also on the nature of services provided by the MFIs and their internal system of operation.

Lockdowns, social distancing and other measures aiming at reducing the spread of the virus has resulted in sharp decline on economic activity as firms were ordered to close. These measures weighed heavily on domestic demand for goods and services and as a result reduced the domestic supply. This heavily affected the SMEs and self-employed who are the major clients for microfinances in Zimbabwe.

While the performance of microfinance banks that accept savings and rely heavily on deposits to make loans especially in the Sub-Saharan Africa regions were extremely impacted, microfinance institutions that are not permitted to take deposits especially in Europe are not highly impacted according to Dabrowska et al. (2020). Additionally, institutions that make use of digital technologies were able continue rendering services and relating with clients by giving loans virtually, others that focus on the adoption of traditional methods in relating with customers and rely on physical meeting with clients are severely impacted by the restrictions imposed on mobility as a result of the pandemic. This was the case for many MFIs in Zimbabwe.

Most studies have focused on the effect of COVID-19 pandemic on the activities of microfinance banks in some countries, but no study has been conducted yet in Zimbabwe. Microfinances banks in Zimbabwe faced more challenges than commercial banks due to their weaker financial position. They are more exposed to loan portfolios corrosion which put their earning capacity and future in danger. Lack of adequate digital capacity to continue interacting with clients negatively affected their survival. The lack of attention on the COVID-19 pandemic on microfinances banks in Zimbabwe is regrettable, because MFIs support large proportion of the poor, small-scale businesses and vulnerable people in Zimbabwe and other developing countries. Due to the facts above, it came to the writer's attention to investigate the impact of COVID -19 pandemic on the financial performance of microfinances in Zimbabwe.

1.2 Statement of the problem

Prolonged lockdowns and restricted operating time imposed due to COVID-19 pandemic have greatly affected the financial performance of microfinance institutions in Zimbabwe. These lockdowns came at a time when the microfinance sector was not prepared to face the effects of COVID-19 on their operations. Covid -19 imposed lockdowns resulted in restricted movement of people and limited operation times. These and other factors greatly affected the flow of business operations. Microfinance institutions are not an exception. The financial performance of their operation highly depends on physical meeting with their clients. Due to the facts above, this study seeks to investigate the extent to which COVID-19 pandemic has affected the financial performance of microfinance activities in Zimbabwe with specific reference to FMC Finance.

1.3 Objectives

The study seeks;

- To identify the effects of Covid -19 on loans disbursement.
- To find out how Covid 19 affected loan repayments.
- To find out how Covid 19 affected the number of branches for microfinance institutions in Zimbabwe.
- To find the relationship between lockdowns and number of active loan clients.

1.4 Research questions

- What are the effects of Covid- 19 on loan disbursement?
- How Covid -19 affected loan repayments?
- How Covid -19 affected the number of branches for microfinance institutions in Zimbabwe?
- Is there any relationship between lockdowns and number of active loan clients?

1.5 Research assumptions

- The respondents were literate to understand the questionnaire and they provided accurate information that was free from bias.
- The microfinance is in existence and operational at national level.
- The sample size represented the total population.

1.6 Research Limitations

- Some of the information was withheld by the microfinance institution due to mistrust regarding the researcher's motive. The researcher convinced them that the information was to be used only for academic purpose.
- The researcher had limited time since she had to also focus on other courses. The researcher focused mainly on questionnaires sent through email.

1.7 Delimitations of the study

The study is limited to the impact of Covid-19 on the financial performance of microfinance e institutions in Zimbabwe and the data collected is limited from January 2020 to December 2021.

1.8 Significance of the study

1.8.1 To the researcher

Effective fulfilment of this study is part of the prerequisites of Bachelor of Commerce Honours Degree in Banking and Finance which is an accomplishment to the researcher.

1.8.2To the microfinance sector

The study will help the sector to be prepared for unforeseen pandemics and find alternative solutions.

1.9 Definition of terms

1.9 1.Covid -19

This is an infection triggered by a novel coronavirus now called severe acute respiratory syndrome .The virus was firstly discovered in Wuhan City of China as articulated by Skoufias, (2019).

1.9.3 Microfinance

This is the provision of a range of services to the lower income section of the economy who do not meet the requirements to gain traditional finance (Shastri, 2009**).**

1.9.4 Financial performance

This is a measure of organisation's achievement of the goals, policies and operations expressed in monetary terms. It includes the financial health and can be compared between similar firms in the same industry as argued by Agola, (2014)

1.10 Chapter Summary

This introductory chapter was mainly focusing on background of study, problem statement, objectives of the study and definition of key terms among others. The next chapter will focus on literature review.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The previous chapter focused on introduction of the topic and the related subject matter. This chapter is a broad spectrum of the theories surrounding the topic, conceptual review, empirical evidence and research gap analysis.

2.1 Conceptual Framework

2.1.1 Definition of Covid-19 Pandemic

World Health Organisation (WHO) (2020) said that coronaviruses are a large family of infections which may cause illness in animals or humans. COVID-19 is caused by a novel virus called the Severe Acute Respiratory Syndrome -2 (SARS-COV-2) and it was first noticed in Wuhan city in China in December 2019. COVID-19 spreads mainly from being to being over small dews from the nose or mouth, which are released when the person with COVID-19 coughs, sneezes or speaks. In early 2020 covid 19 started to spread all over the world and WHO declared it a global pandemic

2.1.2 Covid History and Response in Zimbabwe

Similar to any other nations affected by COVID-19 epidemic, the government of Zimbabwe established and applied measures meant for preventing the spread of the disease in line with WHO guidelines. According to the Ministry Of Health and Child Care Zimbabwe report on 20 August 2020, on 19 March 2020, the government of Zimbabwe declared COVID-19 pandemic a national disaster, though there were no cases of COVID-19 recorded by then. This measure was taken in recognition that neighbouring countries including South Africa had recorded COVID-19 cases.

After the declaration of a countrywide disaster, the government of Zimbabwe also declared limitations around social congregations as a way of avoiding the spread of the disease. The government suspended gatherings of more than 100 people comprising church services, weddings and national events including the Zimbabwe International Trade Fair (ZITF) and Independence Day celebrations were cancelled.

Otero, M. (2020) said that Zimbabwe went into first phase (stage five) of a national lockdown for 21 days which started on 30 March 2020 up to 20 April 2020. The lockdown was extended by 13 days, ending on 03 May 2020. It was then moved to stage two after the lockdown was extended by 14 days. On 16 May 2020, the government prolonged the stage two lockdown repeatedly. Robinson. (2020) noted that the national lockdown triggered in the closure businesses (formal and informal) with the exclusion of essential services like procuring of crucial commodities, going to work (for those working in essential services) and providing care. The government also encouraged people to observe physical distance, practice hygiene and wearing face masks in public places. Quarantine centres were opened in various towns to cater for returning residents.

2.1.3 Defining microfinance

According to Ledgerwood, (1999), in some cases, various republics have come up with meanings designed to meet their specific countries requirements or tried to define microfinance in the context of their own backgrounds. The main perception, however continued being that microfinance is worried with banking the poor with no other banking means. In some of the recognized explanations, microfinance is defined as a set of monetary practices to assist the unbanked underprivileged as propounded by Armendariz and J Modurch,(2004) .In a broader definition, microfinance is a kind of banking provision which offers access to financial and non-financial facilities to low income or jobless people. Microfinance is an influential tool to self-empower the deprived people particularly females at world level and especially in developing countries. In Zimbabwe, ZAMFI, states that microfinance as a provision of monetary services such as loans, savings, insurance and training to economically active poor and marginalized persons (Zimbabwe Association of Microfinance Institutions,2013)

2.1.4 Working Definition of Microfinance

For the purpose of this study the ZAMFI definition is going to be used in the research study, because the definition states that microfinance is the provision of financial services such as loans, savings ,insurance and training to economically active poor and marginalized persons (ZAMFI,2013).

2.1.5 The General View of Microfinance

From all the meanings, the idea of microfinance is premised upon helping the poor consumers. The microfinance equation is premised on the prerequisite to alleviate insufficiency and encourage development through MFIs providing funds at moderately low charge to poor societies and people formerly excepted from credit with the purpose to diminish role of government in providing costly social services, raise income levels of the poor and expand consumption to stimulate the economy according to Tshuma (2014) microfinance is a scarcity alleviation tool developed in an advanced and supportable way to support the underserved underprivileged people in command to improve income generating activities as articulated by(Robinson ,2001).

Nevertheless conflicting to the traditional understanding of microfinance, the general view of microfinances in Zimbabwe is that they are associations that mostly offer microcredit facilities to primarily working individuals with supportable earnings for which stop over appointments can be achieved to take and remit loan reimbursements to the loaning MFIs on a month to month basis. These entities primarily embrace public servants as well as private employees struggling to live on their low salaries and requiring consumption funding. There is also the opinion that loans can be made to the jobless and informal microenterprises who can provide security which yet not satisfactory to traditional banks can be acceptable to MFIs.

Though in some existence of NGOs in Zimbabwe marketplace who offer mostly deficiency alleviation financial services, their presence is rather limited such that what dominates are salary based consumption loans from the private MFIs. In addition to the various definitions of microfinance, the general views and practices of microfinance also tend to differ across countries. In countries with more developed microfinance sectors, microfinance tends to be practised in the broader context that not only covers microcredit and micro servings, but also payment services, insurance, services. In nations with less developed microfinance sectors, the services and products offered by MFIs may be limited to microcredit and micro savings.

In Zimbabwe the larger proportion of MFIs offer a narrow product range limited to mainly microcredit. A large number of MFIs operating in Zimbabwe are licenced under the credit only model with relatively few institutions operating under deposit taking microfinance banks (MFBs).Accordingly, this research focus on the narrower definition of microfinance which defines microfinance mainly in terms of microcredit and micro savings. Microfinances can be classified into the following two categories according to RBZ (2015).

i. Credit only MFIs

These are financial institutions whose core activities are the advancement of credit to their clients and do not take in deposits. They provide other financial services such as micro insurance and funeral policies to a specific group but their main mandate is to provide credit to their clients.

ii. Deposit taking MFIs

According to the Zimbabwe National Financial inclusion Strategy (2016-2020), deposit taking microfinance institutions collect deposits from the public, particularly those in the small to medium business segment, and on-lend to the same segment for developmental purposes. Deposit taking microfinances take deposits from customers. Deposit taking microfinances make use of the deposits to give loans and gain profits from the deposited funds. As other microfinances, a deposit taking MFI intermediates between surplus units and deficit units. A deposit taking microfinance also offers loans to its clients and are registered with the deposit protection scheme.

2.1.6 Determinants of Financial Performance for Microfinances and Covid 19 Implications

Gardeva & Rhyne (2011) propounded that the financial performance of microfinances is driven by four factors which are loans disbursement, loans repayment, and number of active loans clients and liquidity of the microfinance institution.

- **Number Of Loans Disbursed**

Loans disbursed refers to the number of loans that are offered to borrowers .The request for loans in general has diminished at the beginning of the pandemic across the globe the microfinances appeared to have survived the first impact of the pandemic very well, although some had to make significant adjustments to their internal operations and make some difficult decisions, like reducing their lending activities at a time when liquidity was needed most by borrowers according to the RBZ MFIs Quarterly Report (2020). When the condition was quite uncertain about the future and there was little appetite on the part of the clients to draw more credit. The condition however varies from MFI to MFI and country to country.

Some MFIs have experienced a significant reduction in loan applications during the pandemic period, and they do not see a reversal of that trends. The loan disbursement of new loans decreased substantially 32.57% to 22.03% in 2019 and more for some.

- **Loan Repayments**

Loan repayments refers to the money that is paid back to the financial institutions within the agreed repayment period and they are paid with interest attached to the loan amount. Many of the loans and repayments also took place in physical meetings, where the loan officer meets with the client, and these cannot be replaced by a digital transaction. Consequently, due to Covid and the extended fear of infection, personal meetings have not been taking place in the past few months. All in all, people have not been able to receive loans and institutions have not been able to receive repayments.

The borrowers could not repay and clearly no lender can survive indefinitely if repayments stop, but liquidity situation of lenders seems to be fairly strong so far .Some recent analysis by Rozas (2020) shows that some MFIs nearly half of them had reserves to cover more than six months of operating without any repayments or other inflows. The challenge of lockdown, social distancing and failing to have repayments are potentially much more severe for MFIs than just a temporary failure to receive repayments.

Across the globe, portfolio at risk (loans which a payment has not been made for 30 days or four repayment cycles is over 5%)which is unfavourable and may result in bankrupt of an MFIs.

- **Number Of Active Loan Clients**

Active loan clients refers to the clients that have borrowed some loans and are making some repayments on those loans. There are high rate of underperformance in loan portfolios and increase in exposure to nonperforming loans by MFIs due to covid 19. Microfinance banks were not capable of meeting the loan demand of the productive and other important sectors as result of fall in loan repayments which is a major source of funding occasioned by the COVID-19 epidemic also leads to a significant fall in earnings capacity. Financial Stability Board (2020c) asserts that as result of this, small and medium scale enterprises who rely heavily on loans from microfinance institutions were negatively affected.

Approximately MFIs found themselves to be liquidity constrained and had to limit the pay out of loans demanded to match their ability to fund the new loans. Even if the MFIs had sufficient liquidity to fund new loans, some have introduced limits on disbursements to lower the credit risk during the uncertain times. In addition, most MFIs adjusted their risk assessment policies and procedures which led to more stringent credit assessment and an exclusion of certain business activities that may be considered high risk from the point of view the pandemic impact.

- **Number Of Operating Branches**

Outreach refers to the degree to which MFIs reach a segment of the population that does not traditionally take part in the formal financial system according to Shue and Oney (2014). The general Covid-19 protocols during the national lockdown period, made it difficult for MFIs to operate and provide financial services to the marginalized community. Microfinance outreach sharply contracted during the year as branch network declined by 31.86% from 1017 as at 31 December 2019 to 693, mainly due to cost cutting actions engaged by the microfinance institutions in contradiction of the backdrop of restrained business generation in many towns and cities following continued covid -19 pandemic lockdowns.

2.1.7 Determination of Variables

Table 2.1.7 Determination of variables

Independent Variables (Covid 19)	**Dependent variable (Performance)**
➢ **Restricted movements** ➢ **Limited time of operation** ➢ **Lockdown** ➢ **Social distancing**	➢ **Loans disbursement** ➢ **Active loans** ➢ **Number of operating branches** ➢ **Loans repayments**

Source: Primary Data 2022

2.2 Microfinance Institutions in Zimbabwe Response to the Pandemic

The reaction of MFIs to the COVID-19 disaster seems to be relatively similar. Though not all of the methods and mechanisms were used by each MFIs, the following are the most common responses applied by the MFIs.

2.2.1 Internal Operations

Microfinance institutions had to adjust their internal jobs to new situations. According to Zheng and Zhang (2020) some of the measures that we applied include virtual work arrangements by mandating staff to work from home and use technology to communicate and collaborate. Even with the easing of restrictions on movement and social distancing, most MFIs continue to work in a virtual way although some declare to slowly return to the personal face-to-face contacts with clients. In terms of office safety new health and safety procedures were executed by all MFIs, which included rules on social distancing, hygiene, and collaboration.

2.2.2 Lending Process

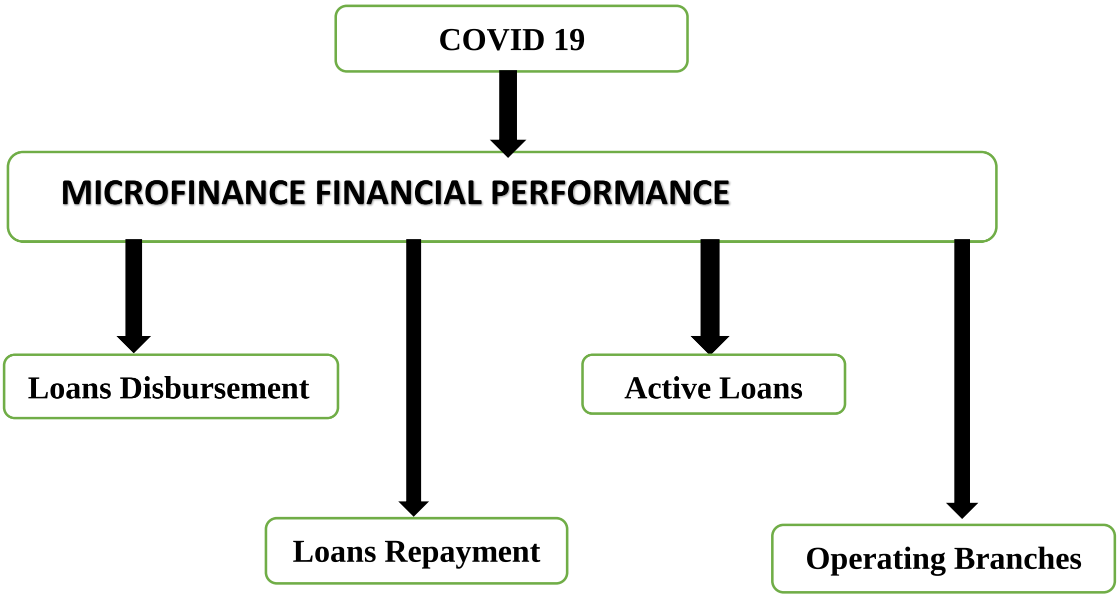
Online loan applications and loan approvals were done by most MFIs had online application options, but the crisis removed any option of submitting a loan application other than in electronic form. Barne and Wadwha (2021) articulates that the crisis has forced the organizations and the clients to use the online and mobile system which were in place but not adequately used. Digital disbursements and collections were used, those MFIs which still disbursed cash and accepted cash repayment of loans had to speedily develop online options using banks, mobile phones or credit and debit cards.

2.2.3 Client Communication

According to Zheng and Zhang (2020) personal relationships and onsite interaction with clients have remained personal and intimate, but it had to be changed to virtual channels using technology. Most microfinance institutions use approaches which includes loan officer contacts whereby the loans officers contacted their clients to assess their situation during the crisis. Most of the times all clients were contacted at least once. The other approach was the use of client surveys to learn about the challenges faced by clients during the pandemic.

Conceptual Diagram

FIG2.3.4 Conceptual Diagram



Source: Primary Data 2022

2.2 THEORETICAL FRAMEWORK

2.2.1 Theories of Covid 19

The spill over from infected animal theory by World Health Organisation Report on 06 April 2021

The theory asserts that covid 19 virus is spread via animal spill over to humans. According to this theory, the SARS-CoV-2 virus was spread from an animal to a human being directly. The infection then continued spreading due to person to individual contact and super dispersal events.

The major purpose this theory is classified so high is that a virus very similar to the SARS-CoV-2 virus was found in bats and minks .The reason that may work against this model is that the chance of contact among human and one of the above-mentioned creatures is quite slim, the human beings are more likely to come close with home animals.

The lab leak theory by World Health Organisation Report on 06 April 2021

This theory proposed by WHO and states that the virus came from a laboratory in China or that it was biologically engineered. The model explained that a staff member the lab was accidentally infected and the virus then spread. The report did mention that it does not believe this virus was deliberately released, as scientist have analysed the genome.

The staff at Wuhan Institute of Virology, the lab that is the centre of this accusation, checked its records to see if it had any virus similar to this coronavirus and they found nothing were found .The reason against this theory is the labs involved in studying bat coronaviruses were well managed with a staff health checking programme, and no one conveyed covid 19 symptoms.

The above mentioned theories are compatible with how the pandemic spreads in Zimbabwe and the whole world whereby the virus has just spread from China to the whole world and spread as people came into contact with the infected patients as well just transferred through the air.

2.2.2 Theories about the Economic Necessity of Microfinances

The financial repression argument by McKinnon Shaw, 1973.

This model was derived from financial repression by McKinnon Shaw (1973 considers that informal finance is a significance of the state’s interference in the monetary markets. The state sets up a sequence of principles and limits, including non-market related ones, creating a financially repressed environment .Some of these policies include credit controls, high liquidity ratio requirements, interest rate ceilings or restrictions on entering new markets. Subsequently, the allocation of capital in the financial system turns out to be inefficient, with the supply of credit being reduced and savings discouraged. Van Wijngergen (1993) asserts that, with the restrictions in mind, many people that demand loans are not able to access credit and, instead, they turn towards the informal financial market as a residual option. This theory works in hand with the importance of microfinances in Zimbabwe whereby they provide financial solutions to support informal clients which cannot qualify to obtain loans from the commercial banks like SMEs and vendors.

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The information asymmetry argument by Stiglitz and Weis (1981)

This argument blames the external factors of the economy for the financial repression and market failure. However, Stiglitz and Weis (1981), consider that the causes of are internal. The authors attribute the problem to the existing information asymmetry between borrowers and lenders. The above can be best defined as situations where the lender knows more than the borrower about the content of the credit deal, which can lead to credit rationing and unbalanced loan contracts. Some examples include) when within a group of borrowers of the same risk appetite and characteristics, some are offered loans while others are not; ii) there are groups of borrowers are excluded from obtaining loans and therefore, leads to inefficient credit loans, no matter the interest rate .This asymmetry makes it difficult to identify the risk profile of the borrowers and therefore, leads to inefficient credit loans. Since the lender does not have enough information about the borrower's repayment ability and the borrower does not hold full knowledge about the terms of the agreement, it can lead to defaults and untailored services. When this occurs, borrowers tend to loses trust in the system and rely on informal practices (Demirguc-Kunt& Kappler, 2013).

Contractual agreement theory by Boucher, Carter &Guikinger, (2008).

The risk that come with the formal loan contracts can also be an explanation to the demand for informal financial services as articulated by Boucher, Carter &Guikinger,(2008).One of the main risks is the one that collateral clauses in financial contracts. Requiring collateral means that in case of default, the lender gets to keep the assets that the borrower of losing that asset. In the informal system, people have the option to borrow without collateral, which would diminish the borrower's risk .The higher the collateral required for the formal loans is, the more probable that the low – income borrowers will resort to informal practices. Microfinance institutions serve as response to the mentioned issues and provide clients with better adapted financial solutions and tailored products more suited to their needs. In order to provide the right insights, MFIs must understand these necessities .Many times, this entails accepting that clients require mixed financing, which may include a formal bank account and other forms of financing. With this in mind, it is clear that there is a door open for the microfinance sector to explore the specific products that would help their clients come up with new ways to improve the system. The main objective for MFIs has been financial inclusion since beginning when the first institution was founded by Demirguc-Kunt& Kappler (2013).

2.3 Empirical Evidence

Impact of the covid 19 pandemic on microfinance sector. A survey by ZAMFI July 2020

The association carried out a survey to find the impact of covid 19 on microfinance sector in Zimbabwe. They used a monkey survey to correct data from a sample of 152 MFI. The association found that covid 19 induced lockdowns severely affected the operations of microfinance and had a negative impact on the financial performance of MFIs. They recommended that responsible authorities should consider the life of MFIs when implementing policies relating to covid 19.

The effects of the pandemic on performance of microfinance banks in Nigeria by Yetunde and Oludayo (2020).

The study investigated the effects of covid 19 pandemic on the activities and performance of microfinance banks in Nigeria. A sample of 100 heads of departments from 20 randomly selected microfinances was used .Data obtained were analysed using simple percentage and regression analysis. It was discovered that covid 19 greatly affected the activities of microfinance banks through decline in loan repayments , deposit mobilisation, poor operational efficiency and high non-performing loans. The study concluded that covid 19 imposed constraints on the operations of microfinance thereby negatively affected their performance.

Malik et al (2020) survey on the impact of covid 19 pandemic on microfinance institutions in Pakistan.

The study adopted phone surveys as a means of collecting data. From a sample of 200 microfinance loan officers. The results of the study showed that 70 percent of microfinance borrowers failed to repay their loans. The study concluded that covid 19 inversely affected performance of microfinance institutions in Pakistan.

Impact of covid 19 on efficiency of microfinance institution by Zheng and ZHANG 2021.

The study investigated the effects of covid 19 induced decline in economic activities on financial efficiency of microfinance institutions. The study found that covid 19 impact decreases the efficiency of microfinance institutions

Early impact of covid 19 on financial institutions, a survey of International Finance Corporation institution clients (IFC, 2020)

The survey summarized the key findings extracted from the responses of 149 clients across 65 emerging markets. The results showed that there was significant increase in non-performing loans. Microfinance institutions were facing liquidity challenges as characterized by poor repayments and shortage of funding.

Impact of covid 19 to MFIs in Indonesia: A rapid assessment by RISE (2020)

The paper accessed the impact of covid 19 on liquidity of microfinance institutions. The study summarised that covid 19 arears are resulted in insufficient liquidity thereby reducing the performance of microfinances.

The impact of covid 19 pandemic on microfinance sector in Europe by Dabrowska, Korynki and Pykowska (2020)

The study shows that the pandemic affected all countries in the European Union. Specifically covid 19 affected the microfinance institutions portfolio performance, decreased demand for credit, increased credit rationing, distorted product offers and led to breakdown in communication and interaction with clients. The microfinance institutions are recommended to use digital platforms to interact with clients**.**

The impact of COVID-19 crisis on the situation of microfinance institutions and their clients in Europe. A survey by Microfinance Centre (MFC) September 2020.

The organisation carried out a survey to access the impacted microfinance institutions in Europe. They used interviews to collect data from a sample of 22 representatives of the microfinance sector in Europe. The study found that though the epidemic affected all counties in Europe, the extent of the impact depends on the nature and strangeness of the country. Also, it was established that the lockdown imposed by countries to contain the pandemic influence microfinance banks and their clients negatively. The study recommend MFIs to avoid physical contact and to maintain social distancing they should encourage mobile financing between clients and branch level activities.

2.4 Research Gap

From the literature review above, most studies have focused on the effect of COVID-19 pandemic on the activities of microfinance banks in some countries, but no study has been conducted yet in Zimbabwe. Microfinances banks in Zimbabwe faced more challenges than commercial banks due to their weaker financial position. They are more exposed to loan portfolios corrosion which put their earning capacity and future in danger. Lack of adequate digital capacity to continue interacting with clients negatively affected their survival. The lack of attention on the COVID-19 pandemic on microfinances banks in Zimbabwe is regrettable, because MFIs support large proportion of the poor, small-scale businesses and vulnerable people in Zimbabwe and other developing countries. Due to the facts above, it came to the writer's attention to investigate the impact of COVID -19 pandemic on the financial performance of microfinances in Zimbabwe.

2.5 Chapter Summary

The chapter focused more on the correlation between covid 19 and financial performance of microfinance institution. It viewed at the literature review and the empirical review of the topic under study. It looked at the different views of authors' on the matter and the theories involving covid 19 and financial performance of microfinances. The following chapter will focus on the research methodology that is the methods used to collect data associated to the study.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

In the previous chapter, the researcher was focusing on literature review. This chapter was focusing on the research design appropriately drafted and actioned by the researcher. The chapter showed how the researcher came up with the targeted population, sampling techniques, data collection methods, research instruments, data collection procedures, validity and reliability of data and a preview of data presentation and analysis.

3.1 Research Design

Research design is viewed as a plan or a strategy that enabled the researcher to answer the overall research questions. Creswell, (2012) explains that research design is meant to ensure that the information obtained enables the researcher to answer the initial question raised as clearly as possible, as there is a special relationship between a research problem and the research design. Therefore, the researcher adopted a descriptive design. Descriptive design gave the research enough provision to protect data from bias as it provided enough test for validity and reliability. Allison, (2004) argues that a research design includes the planning of the research procedure as well as the procedure for data collection and analysis

3.2 Research Approach

There are three types of research approach, quantitative, qualitative and a mixture of the two. The researcher adopted a quantitative research approach because the researcher used quantitative data obtained primarily from the use of questionnaire.

3.3 Target Population

According to Gachet and Staehli, (2008) target population is defined as the complete set of objects and events or groups of people from which the researcher wants to determine some characteristics. The study had a target population of over 50 FMC employees working at the company's head office.

3.4 Sampling Techniques

Sampling techniques are methods used in choosing samples from a population. The researcher adopted a stratified random sampling technique. Stratified random sampling according to Xaba and Horn, (2004) involves the division of sampling frame into groups in order to ensure that the sample is representative. Independently selecting a separate simple random sample from each population stratum. In addition, stratified random sampling offers data of known accuracy that may be crucial for some groups of the population and it provides unbiased estimates. The researcher chose stratified random sampling because employees at FMC head office are subdivided into groups of homogeneous characteristics according to their departments. The sub-groups were divided as follows

Table 3.4 Target Population

Department	**Target Population**	**Sample**
Loan officers	30	12
Finance	5	3
Debtors and collection	15	5
TOTAL	**50**	**20**

Source: Primary data 2022

3.5 Sample Size

The term sample size refers to the number of items to be chosen from the whole population to constitute a sample Kothari, (2004). The researcher deliberately chose a sample size of 20 individuals from the loans officers, finance and debtors and collection departments within the microfinance head office. This is so because it was impossible to distribute questioners to the whole population and come up with realistic conclusions given the limited time.

3.6 Sources of Data

There are two sources of data which are primary source of data and secondary source of data.

3.6.1 Primary Source of Data

The research used primary data collected through a self-administered questionnaire. The data allowed the researcher to be more consistent with the research questions and objectives since it was collected for the researcher's specific purpose. According to Saunders, (1997) primary data is collected through a statistical sample survey using a questionnaire .Primary data is reliable than secondary data. The data was collected on research questions inscribed in the questionnaire on the **appendix** section**.**

3.7 Research Instrument used

There are several research instruments used to collect data. These include questionnaire, interviews and observations. The research used a self-administered questionnaire as explained below.

Questionnaire

A self-administered questionnaire was used to collect primary data centred on research questions raised in chapter one and the literature review in chapter two. According to Moorhead et al, (1995) questionnaire is a document made up of a list of questions, instructions, and spaces for answers. The researcher structured the questionnaire as follows; first part was used to collect demographic data of respondents. Second part was used to answer questions on impact of covid 19 on loans disbursement. The third part was used to collect data on how covid 19 affected loan repayments. The next part was used to collect data on how covid 19 affected the liquidity of microfinance institutions in Zimbabwe and the last part was used to ascertain the relationship between lockdowns and number of active loan clients. A five-point Likert scale was used as a measurement scale on data collection from various questions.

Justification of using Questionnaire over other Research instruments

The researcher used questionnaire because of the following benefits;

- It was easy to get answers from a uniformly structured document.
- Questionnaires were sent through the electronic mail to reduce the cost of collecting data and to give respondents enough time to answer all questions.
- Questions were structured in a way that was easy to analyse.
- The use of questionnaires was also the only way to practice social distancing- a guideline from the World Health Organisation to curb the spread of Covid-19.

3.8 Data collection procedure

The data collected needs to be presented in a way that communicates the information and facilitate conclusions to be drawn as propounded by Jewell, (2001).The data was gathered using a questioner administered to the sample population of employees of the MFI. Respondents were first contacted by email and briefed about the research and requested to participate in the survey by completing an attached questioner .Emails were later followed up by phone calls .

Sekaran, (2000) points out that the questioners were administered to many respondents at the same time and this had the effect to allow respondents enough time to respond, and this also helped in improving the quality of the responses and data collected .However on the downside, the responses were slow to come and the response rate was generally low.

3.9 Data Presentation and Analysis

Data analysis

Data was presented using descriptive statistics primarily drawn the SPSS version 20 software. Data analysis was done using correlation technique and linear regression method technique.

Data presentation techniques

The tables, pie charts and tables were used to present the collected data in line with research objectives.

3.9.1 Correlation Analysis

Correlation analysis was conducted to test the relationship between Covid -19 and overall financial performance of MFIs.

3.9.2 Person correlation coefficient

Pearson correlation coefficient was adopted to test the contribution of Covid- 19 on loan disbursement, active loans, operating branches, liquidity and repayments.

3.10 Validity and Reliability

3.10.1Validity

Validity is the extent to which a test measures what it purports to measure as pointed out by Miller, (1997). Testing for validity allowed the researcher in enhancing the accuracy and truthfulness of the research. Validity tells us whether an item measures or describes what it is supposed to measure or describe. The researcher concentrated on content validity. This is because content validity provides information on adequacy with which the measuring instrument covers the content of the interest.

3.10.2 Reliability

Reliability of a measurement is the extent to which a particular measuring procedure gives similar results over several repeated trials according to Polit and Hungler, (2013).The researcher built a questionnaire in such a way that results obtained are reliable on continuous tests of the same study on FMC using the same research instruments and sampling procedures even on different respondents.

3.10.3 Reliability test of the Questionnaire

Table 3.10.3 Cronbach Alpha

Reliability Statistics	
Cronbach's Alpha	**N of Items**
0.960	**15**

Source: ***SPSS output data***

The reliability test was conducted using the Cronbach's Alpha through the use of the SPSS software Version 20. The alpha coefficient obtained was 0.960. This is greater than 0.9 indicating that the instrument is extremely reliable.

3.11 Ethical considerations

The researcher sought permission from FMC management to carry out the research. The researcher made appointments with selected employees on a random basis in each department to conduct the study.

3.12 Summary

The methodology of the research was highlighted in this chapter. The chapter also pointed out the sampling technique used as well as the research instruments. Data collection procedures were also discussed. The next chapter will focus on data presentation, discussion and analysis of the findings.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

The previous chapter focused on methodology of the study. This chapter will focus on data presentation, analysis and discussion. Data was collected from a sample of 20 respondents using self-administered questionnaires. Data was then presented using descriptive statistics, and analysed using correlation analysis and regression analysis techniques. The presentation and analysis of data was done with the aid of SPSS version 20 software. The chapter will also compare research findings with related literature review.

4.1 Response Rate

Response rate was defined as the proportion of respondents who responded to the questions asked by the researcher as pointed out by Zikmund (2003) . This refers to the overall number of respondents that attended to the questionnaires .The table **4.1.1** below shows the questionnaire response rate.

Table 4.1.1 Questionnaire Response Rate

Questionnaires Distributed	Number	Rate
Not Responded	5	25%
Responded and collected	15	75%
Total Administered	**20**	**100%**

Primary Source 2022

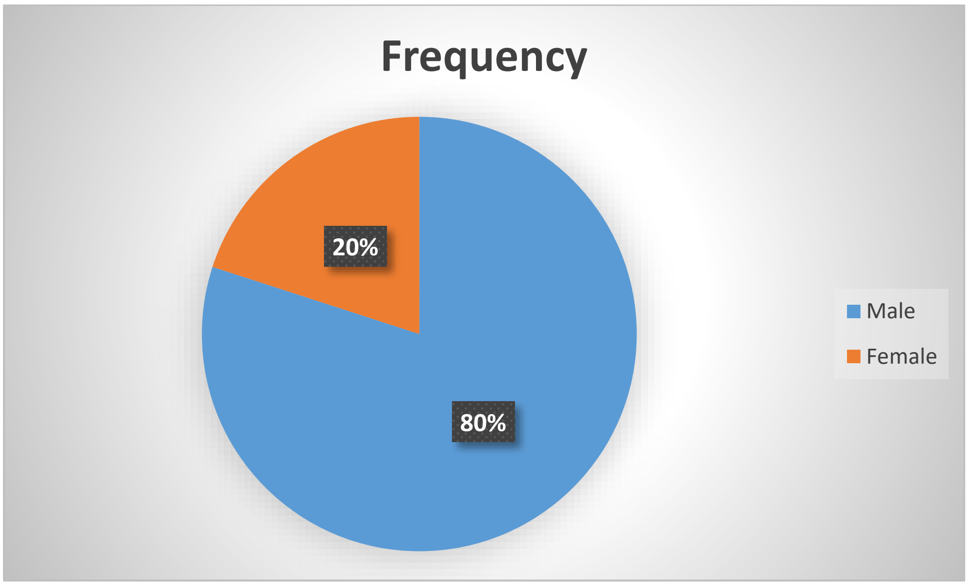
From the table, it can be realized that 20 questionnaires were distributed to the respondents. The table above shows an excellent response rate of 75% which is higher than the prescribed minimum response rate in surveys. As articulated by Jackson, (2011), a response rate of % and any response rate above that portrays a good response rate from questionnaires. A high response rate was achieved as a result of follow ups that were done to remind the respondent**s.** This accreditation uplifted the validity and reliability of the questionnaire.

4.2 Data presentation and Analysis

This segment gives the questionnaire analysis of the information collected by the academic. The academic presented the demographic information that was collected from the study on the impact of COVID-19 on the financial performance of microfinance institutions.

4.2.1Gender of respondents

Fig 4.2.1 Gender of respondents



Source: ***Primary Data 2022, SPSS output***

The data presented on the table above shows that 80% of respondents were males and the remaining 20% of respondents were females. The results shows that FMC Microfinance is mainly dominated by male employees' more than female employees.

4.2.2 Work experience

Table 4.2.2 Work experience

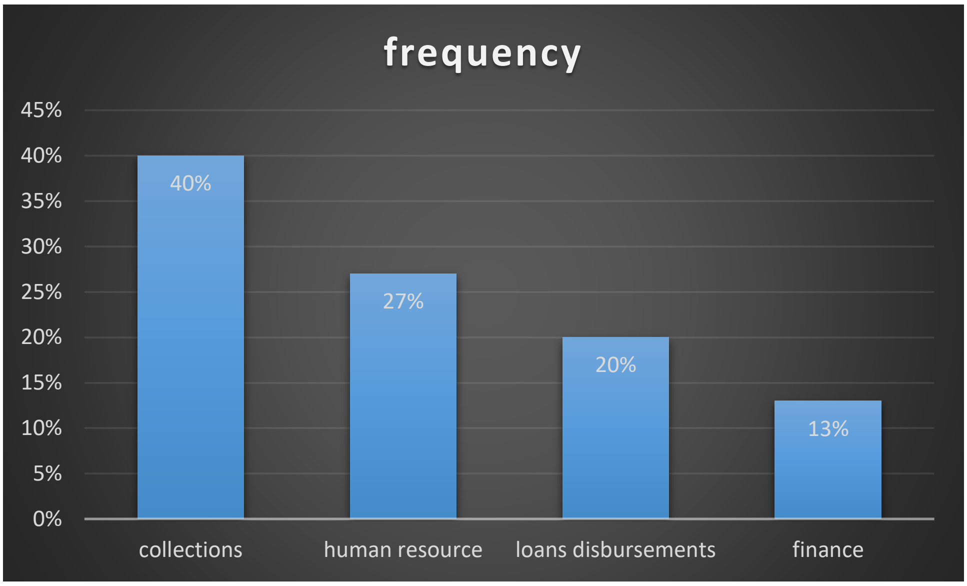
Size		**Frequency**	**Percent**
Valid	Less than 5 years	4	27.0
	5-10 years	6	40.0
	More than 10 years	5	33.0
	Total	**15**	**100.0**

Source: ***Primary Data 2022, SPSS output***

The study sought to find the period of employment that is the experience that the workers had achieved at the organization. This would show the level of experience that the loan officers and finance officers had in micro financing activities. The table below portray that 27% (employees) of FMC Finance employees are below 5 years which imply that this group of employees need to explore more on microfinance activities. 40% of the employees have worked for a period of 5-10 years and 33% (6) of employees have worked for more than 10 years. This means that they have more knowledge about the financial performance of FMC microfinance.

4.2.3 Departments

Fig 4.2.3 Departments



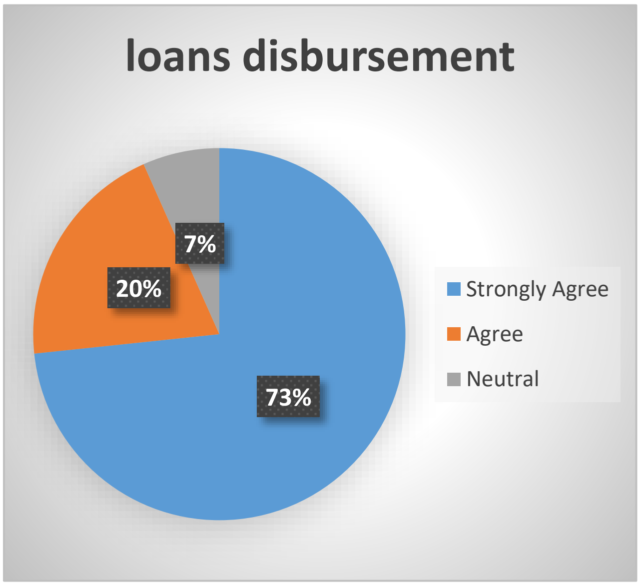
Source: ***Primary Data 2022, SPSS output***

The following graph illustrates the responds rate of participants in relation to their departments. The department with greater population is the one which has highly contributed to the results obtained. From the graph above most of the respondents were from collections department contributing 40% of the sample population. It was followed by human resource department contributing 27% of the sample population followed by loans disbursement department and lastly the finance department. The above results provided an insight that collections department, human resource and loans disbursement have the relevant knowledge about the impact of covid 19 variables on the financial performance determinants of microfinances and were able to answer the questioners.

4.3 Responses on how covid 19 affected the performance of Microfinance institutions in Zimbabwe.

4.3.1 Impact of Covid 19 on Loans disbursement

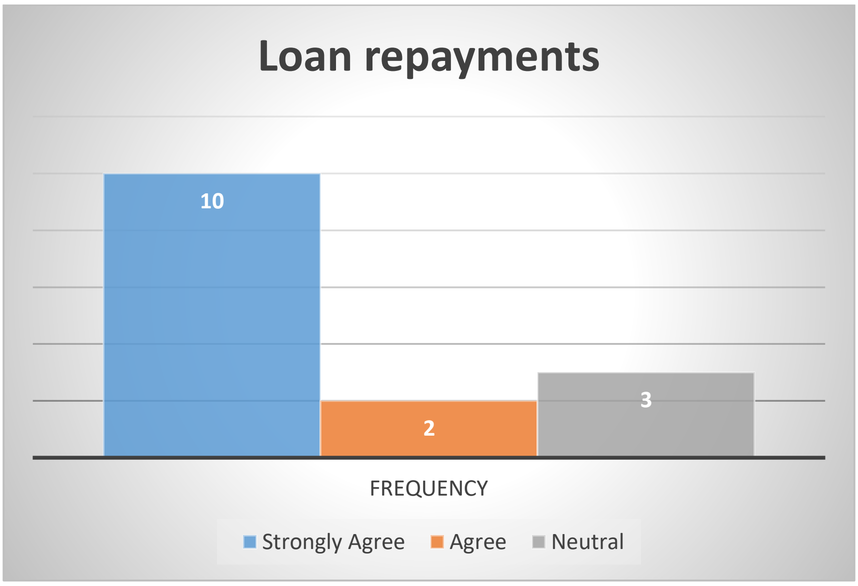
Fig 4.3.1 Impact of Covid 19 on Loans disbursement



On the factor of loans disbursement 73 % of respondents strongly agree that Covid 19 pandemic affected loans disbursement. Respondents that are agreeing with that are 20%. Also 7% are neutral on either covid 19 affected loans disbursement. The findings revealed that a greater proportion supports the fact that loans disbursement was negatively affected by covid 19 restriction. This was also concluded by Dabrowska et al (2020) also pose the notion that the pandemic affected microfinance portfolio performance, decreased demand for credit and distorted products offers which led to breakdown in communication and interaction with clients .Since loan applications requires physical meeting with the clients for the purpose of verification, due to restricted movements this has led to decline in demand for the loans as the clients were unable to visit the branches for applications.

4.3.2 Impact of covid 19 on loans repayments

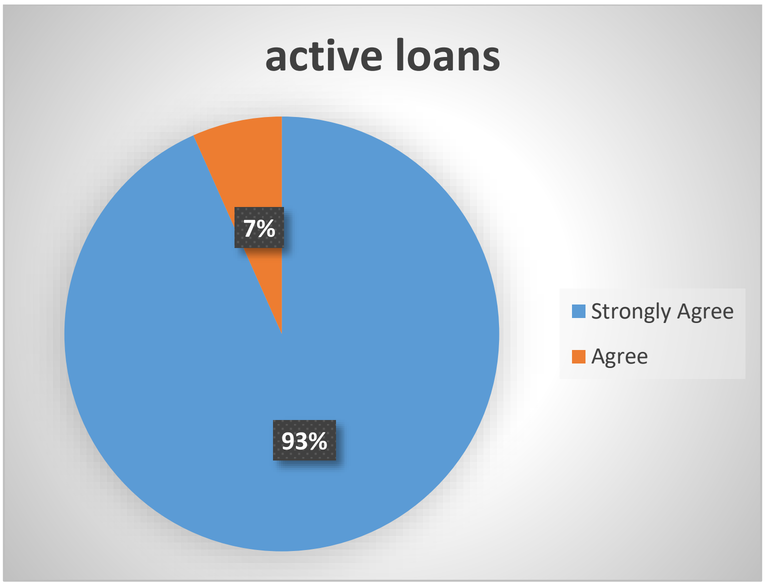
Fig 4.3.2 Impact of covid 19 on loans repayments



The percentage of respondents who strongly agree with the notion that covid 19 has negatively affected loans repayments impact is 66% of the sample population. This left 13% of respondents agree with the impact, whereas 20% are neutral .Loan repayment is seen as a major source of funding for microfinances. Loan repayment is seen as a measure of financial performance of microfinances performance .The results depicted in the table above clearly shows that the repayments of the loans was affected strongly by Covid 19. This was also found by Malik et al (2020). The study found that microfinance borrowers failed to repay their loans and inversely affected the performance of the microfinance institution.

4.3.3 Implication of Covid-19 on Active loans

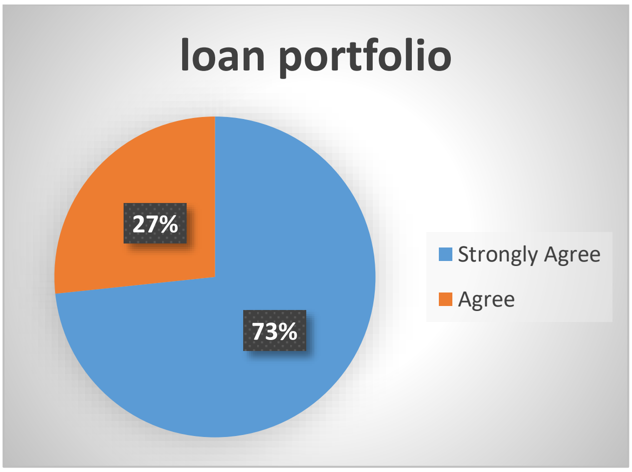
Fig 4.3.3 Implication of Covid-19 on Active loans



From the questionnaires that were returned, 93% of the respondents strongly agreed to the fact that the number of active loans declined due to covid-19. 7% agreed to the fact also. This shows that Covid 19 have played a significant role in declining the number of active loans as the microfinances were facing liquidity challenges. This is similar to the findings of Yetunde and Oludayo (2020) where they found that covid 19 negatively affected microfinances in Nigeria through decline in loan repayments, deposit mobilisation, poor operational efficiency and high non-performing. The financial performance is given in terms of liquidity, loans repayment, loans repayments, number of operating branches and active loans. The decline in performance was studied at financial performance basis taking into account various constraints faced by them during the pandemic.

4.3.4 Effect of covid-19 on Loan Portfolio

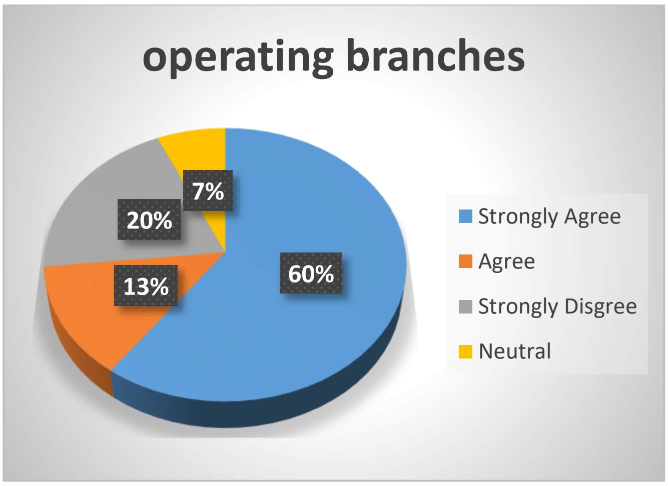
Fig 4.3.4 Effect of covid-19 on Loan Portfolio



From the questionnaires that were returned, 73% of the respondents strongly agreed to the fact that covid-19 results into a decline in the loan products. 27% agreed to the fact also. The results behind these results is that MFIs were unable to fund those portfolios. According to Malik et al (2020, most of MFIs in Zimbabwe are relying on physical meetings with clients in terms of loan applications and also repayments as a major source of funding .MFIs in Zimbabwe must implement some online platforms for online applications to disburse some loans without physical meetings.

4.3.5 Impact of covid-19 on operating branches

Table 4.3.5 5 Impact of covid-19 on operating branches



Furthermore, the researcher also asked the respondents whether this pandemic had a negative impact on the liquidity of the microfinance institution. Out of the 15 questionnaires that were returned by the microfinance employees, 60% of the respondents strongly agree with the opinion that covid 19 had a negative impact on MFIs operating branches. 13 % agree also, 20% strongly disagree because some of the MFIs were using online platforms in terms of operations and 7% were neutral. As most of the respondents said covid 19 had a negative impact, therefore it implies that the existence falling economic activities resulted in decline in high credit default. This was also concluded that RISE (2020**).**The also study found that Covid 19 negatively affected the liquidity of microfinances and there are arears that are resulted in insufficient liquidity thereby resulting in closure of other branches of microfinances.

4.4 Analysis of the Relationship between Covid 19 and Financial Performance of FMC Finance.

4.4.1 Correlation Analysis of Variables

The researcher conducted a correlation analysis to determine the relationship between variables as depicted in the table above. Correlation analysis predict the strength of the relationship that exists between 2 variables only. Correlation co-efficient ranges from a perfectly negative correlation to a perfectly positive correlation (-1 to +1). A closer correlation is closer to -1 or 1 and a weaker correlation is closer to 0. As for purpose of this research the variables to be considered are as follows; loans disbursement, loans repayment, active loans, liquidity and number of operating branches.

Table 4.4.1 Correlation Analysis of Variables

		LD	LR	AL	OB	L	RM	RTO
LD	Pearson Correlation	1	.212	.395	.107	.452	-.872	-.942
	Sig. (2-tailed)		.448	.145	.705	.091	.172	.849
	N	15	15	15	15	15	15	15
LR	Pearson Correlation	.212	1	.244	.410	.745	-.710	-.869
	Sig. (2-tailed)	.448		.381	.129	.001	-.852	-.747
	N	15	15	15	15	15	15	15
AL	Pearson Correlation	.395	.244	1	.231	-.327	-.680	-.922
	Sig. (2-tailed)	.145	.381		.407	.234	.777	.117
	N	15	15	15	15	15	15	15
OB	Pearson Correlation	-.107	-.410	.231	1	-.354	-.891	-.871
	Sig. (2-tailed)	.705	.129	.407		.196	.063	.911
	N	15	15	15	15	15	15	15
L	Pearson Correlation	.452	.745**	-.327	-.354	1	-.678	-.544
	Sig. (2-tailed)	.091	.001	.234	.196		.525	.875
	N	15	15	15	15	15	15	15
RM	Pearson Correlation	-.872	-.710	-.680	-.891	-.678	1	.108
	Sig. (2-tailed)	.172	.452	.777	.063	.525		.702
	N	15	15	15	15	15	15	15
RTO	Pearson Correlation	**-.942**	-.869	-.922	-.871	-.544	-.108	1
	Sig. (2-tailed)	.849	.547	.117	.911	.875	.702	
	N	15	15	15	15	15	15	15

Source: **SPSS output 2022**

RTO-restricted time of operation

RM-restricted movements

L-Liquidity

OB-Operating branches

AL-Active Loans

LB-Loans disbursement

LR-Loans repayments

From the output of results represented above there is a statically significant relationship between the variables in general. As a result Pearson correlation can be done.

4.4.2 Pearson correlation coefficient analysis of variables

4.4.3 Restricted movements and financial performance variables

- **Restricted movements and loans disbursement**

The Pearson's correlation coefficient between restricted movements and loans disbursement is -0,872 which strongly negative correlation coefficient. This implies that there is an inverse relationship between restricted movements (as a covid 19 variable) and loans disbursement. Since loan applications requires physical meeting with the clients for the purpose of verification, due to restricted movements this has led to decline in demand for the loans as the clients were unable to visit the branches for applications.

- **Restricted movements and loans repayments**

In terms of restricted movements and loans repayments there is -0,710 which a strong negative correlation coefficient. Due to restricted movements there was a decline in economic activities and the borrowers ended up failing to repay their loans during the agreed repayment period. Failure to repay loans negatively affected the liquidity position of MFIs as repayments are major source of funding.

- **Restricted movements and active loans.**

Also restricted movements and active loans there is -0,680 which is also a strong negative correlation coefficient. Due to lack of digital platforms by both MFIs and clients restricted movements led to a decline in number of active loans. Microfinance institutions were facing liquidity challenges as characterized by poor repayments as the clients were unable to find the funds to make repayments that were used as funding.

- **Restricted movements and operating branches**

In terms restricted movements and operating branches there is -0, 891 which is also a strongly negative correlation coefficients. As the restricted movements were being implemented the number of operating branches were declining. This is so because MFIs were closing some of the branches and move to work from home facility to prevent the spread of the virus.

4.4.4 Restricted time of operation and microfinance financial variables

- **Restricted time of operation and loans disbursement**

The Pearson’s correlation coefficient between restricted times of operation and loans disbursement is -0,942 which is perfectly negative correlation coefficient. Due to limited operation time MFIs were unable to save more clients per day as a result they lost more client support. There was also breakdown in communication and interaction with clients as the MFIs employees were having limited time in the office to attend to their clients even online.

- **Restricted time of operation and loans repayments**

There is also restricted time of operation and loans repayments which is -0,869. These results shows some strongly negative correlation coefficients which means that there is also an inverse relationship between restricted time of operation and loan repayments of MFIs.As there was a limited operational time it led to a fall in income .Most of the clients were unable to make their repayments as they fall due to lack of income.

- **Restricted time of operation and active loans.**

In relation to active loans -0, 922 which is perfectly negative correlation. This implies that as individuals were having limited operating time the demand for loans also decline as the employees were spending the day making few loan applications as the time was restricted. This has negatively affected the profitability of the institution also.

- **Restricted time and operating branches**

In terms of operating branches there is -0,871. and lastly between restricted time of operation and liquidity there is -0,544.These results shows some strongly negative correlation coefficients which means that there is also an inverse relationship between restricted time of operation and financial performance of MFIs.

4.5 Chapter summary

The chapter presented, analysed and discussed the data collected using a self-administered questionnaire. The next chapter will focus on recommendations and conclusion.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The previous chapter focused on data presentation, analysis and discussion. This chapter will focus on the research summary, conclusion and recommendations originated from the study.

5.1 Summary of the Study

The research explored the impact of covid 19 on the financial performance of microfinance institutions in Zimbabwe using FMC Finance as a case. In order to answer the research question the researcher came up with the following objectives; to identify the effects of Covid 19 on loans disbursement, to find out how covid 19 affected loan repayments, to find out how covid 19 affected the number of branches for microfinance institutions in Zimbabwe and to find the relationship between lockdowns and number of active loan clients. The research design used is descriptive survey design. A sample of 20 respondents were obtained through the use of stratified random sampling.

5.2 Summary of findings

The research findings proved that covid 19 pandemic has negatively affected the financial performance of microfinance institutions in Zimbabwe .The four main indicators of microfinance financial performance are loans disbursement, loans repayments, active loans and operating branches .The findings are summarized below;

- It was found that there is a negative relationship between covid 19 and financial performance principles of microfinances.

- Loans disbursement for MFIs has declined due to restricted movements caused by Covid 19.
- Loans repayments also declined, this was caused by a decline in economic activities and also and most of the clients where failing to repay their loans as they fall due.
- Operating branches were reduced as a way of avoiding physical meetings with clients as well as cutting some rentals by MFIs operators.
- Active loans also declined due to a decline in loans disbursements as the clients were restricted to move and apply for loans.

5.3 Conclusions

The main purpose of this study was to analyse the impact of covid 19 on the financial performance of microfinances in Zimbabwe using FMC Finance as a case. This came after the researcher observed that some microfinances in Zimbabwe are having poor financial performance during Covid 19 pandemic. That observation pose a question on the impact of covid 19 the microfinance financial performance. The researcher also test the financial performance by accessing on loans disbursement, active loans operating branches and loans repayments. A sample of 50 respondents using stratified random sampling technique .The research findings presented earlier on showed that there is a negative relationship between covid 19 and financial performance of MFIs in Zimbabwe. Basing on those findings and analysis it can be concluded that MFIs digitalize in order to cushion the negative impacts of the pandemic to their performance.

5.4 Recommendations

Based on the research findings, the researcher recommends that;

- There is need for digitization of microfinance institutions to cushion the negative effects of future pandemic. Online loan applications and loan approvals must be implemented by MFIs.
- The regulatory framework for MFIs must design emergency funding and technical programs through Central Bank (RBZ) to support the growth of the microfinance sector in Zimbabwe.

- Periodic review should be undertaken to monitor and uncover threats in loans disbursement, repayments, active loans and liquidity for quick policy innovations and initiatives

5.5 Recommendations for further research

- Further studies should be conducted on this topic in other financial institutions of the financial sector of the country to see if we come with the same findings and recommendations.

There can be further factors that can affect the financial performance of microfinance institutions therefore this implies that further research can be conducted to bring out these factors as well as other variables that are not covered in this research

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Appendices

Questionnaire Letter

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

An analysis of the impact of covid 19 on the financial performance of microfinance institutions in Zimbabwe.

By B190182A

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I am a 4th year student studying the Bachelor of Commerce Honours Degree in Banking and Finance (BAF) with Bindura University of Science Education. It is mandatory for every student to carry out a research project in partial fulfilment of the requirements of the Bachelor of Commerce Honours Degree in Banking and Finance (BAF). To complete that research project, I am kindly requesting you to respond by filling in the questionnaire below. All the responses provided will be used only for academic purposes. Your cooperation will be greatly appreciated.

INSTRUCTIONS

- Do not write your name on the questionnaire.
- For each and every question please follow instructions provided. If you do not understand anything you can ask for further clarification.
- Please fill or tick in responses in appropriate space or box provided for you for each and every question asked. For more information contact the researcher on the above numbers.

Questioner

Section A: Demographic Data

1. **Please indicate your gender**

Male		**Female**	

2. **Indicate your department**

Human resource		**Loans disbursement**		**Collections**		**Finance**	

3. **Years of employment**

Less than 5 years		**5-10 years**		**More than 10 years**	

SECTION B

Instruction

Use the scale below to rate the extent to which following items were affected by Covid 19. Tick the appropriate box

Meaning of scale

1. Strongly disagree
2. Disagree
3. Neutral

4. Agree

5. Strongly agree

QN	Questions	1	2	3	4	5
1.	Does COVID-19 in anyway affected loan disbursement of microfinance?					
2.	Does COVID-19 increase nonperforming loans of microfinances?					
3.	Do you think that the pandemic affected the operational efficiency of microfinance institution in a negative way?					
4.	Does COVID-19 pandemic induce decline in cash flow of microfinances?					
6	Does COVID-19 in anyways affected loan portfolios (loan products)?					
7	To what extent does COVID -19 reduces the number of active loans?					
8	Was the company able to access funding during the COVID -19 pandemic?					
9	Does COVID-19 induced lockdown leads to low support of microfinance by its customers?					
10	To what extent where clients failed to repay their loans in time during the pandemic?					
11	Microfinance profitability declined due to COVID-19 pandemic.					
12	Several branches closed due to COVID-19.					
13	Staff morale greatly affected by COVID-19					

SOURCE: Yetunde and Adekunle (2020), ZAMFI Survey Report (2020)