

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



**A DETERMINATION OF HOW MICROFINANCE INSTITUTIONS AFFECT THE
GROWTH OF SMALL TO MEDIUM ENTREPRISES (SMES). KCI
MICROFINANCE CASE STUDY (2016–2017)**

MUNYARADZI MUBAIWA

B192030B

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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RELEASE FORM

NAME OF AUTHOR

MUNYARADZI MUBAIWA

REGISTRATION NUMBER

B192030B

PROJECT TITLE

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SIGNED.....DATE...../...../...../

PERMANENT ADDRESS:

Nyandoro Primary

PO Box 15

Guruve

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I MUNYARADZI MUBAIWA solemnly declare that this project is my piece of work and has not been submitted for any research or lifted from any source without acknowledgement of the source.

SIGNATURE

DATE/...../.....

REGISTRATION NUMBER

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: **A DETERMINATION OF HOW MICROFINANCE INSTITUTIONS AFFECT THE GROWTH OF SMALL TO MEDIUM ENTREPRISES (SMES). KCI MICROFINANCE CASE STUDY (2016–2017)**

Submitted by **MUNYARADZI MUBAIWA** in partial fulfilment of the requirements of the **BACHELOR OF SCIENCE (HONOURS) DEGREE IN ECONOMICS**

...../...../...../.....

Signature of Supervisor

Date

Signature of Chairperson

Date

...../...../...../.....

DEDICATION

This research is dedicated to my late father and my relatives especially my uncle for his never ending support.

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I give thanks to the Almighty Lord for giving me courage and insight throughout my academic career and for enabling me to complete this research assignment successfully.

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ABSTRACT

In this study, the effect of microfinance institutions on the expansion of small and medium-sized businesses between 2016 and 2017 is evaluated. Secondary data was used in the research that was gleaned from databases and digital systems at KCI Microfinance as well as client records. E-views 10 and Stata 14 statistical software were used to analyse data from the study population of 150 SMEs. Regression was used to estimate the research findings. According to the study's findings, SMEs expand when they have access to loans from microfinance institutions (credit). The findings also demonstrated that SMEs used credit facilities, but that this did not significantly affect their ability to grow. SMEs face difficulties in both their inability to obtain the necessary credit for growth and their lack of formal education and business training for management. Other factors like business age and education have shown to be important in favourably effecting the expansion of SMEs. The report then made suggestions for potential measures that the Zimbabwean government might implement to boost the expansion of SMEs. The suggestions include financial advising services, the creation of SME banks, quarterly reviews of performance of small and medium and microfinance policies to provide business training.

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LIST OF ACRONYMS

GDP - Gross Domestic Product

MFIs - Microfinance Institutions

RBZ -Reserve Bank of Zimbabwe

SEDCO - Small Enterprises Development Corporation

SMEs - Small to Medium Enterprises

CHAPTER I

1.0 Introduction

Small and medium-sized enterprises (SMEs) must be able to obtain finance in order to support innovation and growth in both developing and developed countries (Chipangura and Kaseke 2012). Accessing sufficient money to support the expansion and development of their enterprises presents difficulties for SMEs. Because many financial service providers see small firms as being too risky, they have trouble getting finance. SMEs in Zimbabwe create job opportunities and aid in economic development, which reduces poverty. The fundamental barrier to the expansion and survival of these SMEs continues to be the availability of credit and financial services.

Microfinance creates opportunities for the economically active poor by assisting them in securing finances, levelling the playing field, and holding them accountable for their own destinies. Small and medium-sized enterprises (SMEs) have restricted access to deposits, loan facilities, and other financial assistance services offered by formal financial institutions (FFIs). This is because small and medium-sized enterprises (SMEs) cannot provide the protection that these formal organizations require, and banks believe it is dangerous to recover the high expenses associated with cooperating with small firms. Banks are reluctant to offer capital to micro and small businesses because of the difficulties involved (World Bank, 1994). Littlefield and Rosenberg (2004) contend that the United States' banking industry undervalues the poor. By addressing this gap in the market in a financially feasible manner, an MFI can access capital markets to fund its portfolios and enter a nation's official financial system (Otero, 1999). This would allow them to reach out to additional people who are less fortunate. Microfinance first appeared in Zimbabwe in the early 1990s and continued to grow in the early 2000s. The shadow economy arose as an outcome of the Zimbabwean economy's collapse since 1999 and the nation's elevated rate of unemployment. This development actually called for the establishment of microfinance institutions to offer credit services to the informal sector, which is not eligible for financial aid from the formal financial system. Microfinance has firmly established itself as

the most efficient method for giving members of the informal sector access to capital as a result of regular financial service providers' incapacity to help them obtain financing. 2011 ZAMFI report.

1.1 Background

Small and medium-sized businesses (SMS) are essential for fostering economic growth. SMS creates employment opportunities, generates money, and promotes economic progress in Mt. Darwin.

Small businesses are essential to the economy's ability to grow because they can reduce poverty by producing jobs and providing a means of survival for people who lack technical or industrial training. The economically engaged poor must be assisted in creating low-cost enterprises and projects that will enable them to support themselves Chigwenya and Mudzengerere (2013) claim that, Zimbabwe implemented the Small-Medium Enterprise Policy Framework in 2000 to support small businesses and capitalise on the informal sector's capacity to combat poverty, uplift marginalised groups, and promote economic growth.

In terms of entering their market, small businesses in Zimbabwe are not having any issues. Every hour, new businesses emerge, but stats show that the majority of firms remain small. According to SEDCO (2004) in a study by Mudavanhu et al., at least 60% of SMEs in Zimbabwe lose within their initial year of functioning, another 25% fail within the initial three years of operation, and only 15% are projected to expand and stay. As a consequence, it is estimated that 85% of SMEs will fail, implying that 85% of small firms will collapse. According to Nyamwanza (2014), growing departure rates, insecurity, and unpredictability are all having a negative influence on the country's SME sector... Due to this circumstance, small businesses experience difficulties.

With over 31 registered microfinance companies in Zimbabwe and banks including micro financing as one of their options, microfinance institutions and their capacity to address

financial issues have grown quickly. At this time, the organisational skills and entrepreneurial services that comprise the services provided by microfinance institutions should have already produced positive effects in terms of the expansion of SMEs. The goal of this research is to determine how microfinance institutions' financial credit and the services they provide to small and medium-sized businesses affect the overall expansion and growth of the economy.

1.2 Statement of problem

Small enterprises and other mini service providers have formed an important part on the growth GDP of the Zimbabwean economy. Despite the fact that many small enterprises have been in the market for a very long time but they have no signs that they will either grow or survive in the market for a long time. SMEs are not attaining their full potential, despite the fact that they serve a critical role in job creation, poverty eradication, and providing a platform for economic competition. Despite the ongoing expansion of microfinance institutions to offer those services and solutions and equip them with growth tools, SMEs do not survive as long as they could. As a result, the goal of this research is to assess the advantages of microfinance loans as well as the consequences of microfinance services on the growth and survival of SMEs in Zimbabwe. Despite the fact that many people have acquired loans, according to Robert (2009), they have not been able to enhance their business status. Researchers are examining if there is a relationship between microfinance institutions, SME growth and survival, and if so, to what extent it is doing so. This is due to the credit financing of small and medium-sized firms (SMEs). The impact of microfinance institutions on the growth of small and medium-sized businesses is therefore heavily stressed in the study.

1.2 Research Objectives

- 1) To investigate how Micro-Finance Organisations influence the growth of Small and Medium Businesses.
- 2) To find out some of the problems that small and medium-sized businesses face.
- 3) To ascertain whether the accessibility of microfinance contributed to an increase in the participant's sales volume.

1.3 Research Questions

- 1) How do microfinance institutions affect the proliferation of SMEs?
- 2) What obstacles do SMEs encounter?
- 3) What additional factors promote the development of SMEs?

Hypothesis

H₀: There is no connection among the expansion of SMEs and credit from microfinance organisations.

1.4 Significance of the study

This study attempts to investigate and clarify the connection between SME growth and microfinance institutions' services. This study will also provide empirical data on how microfinance affects the growth of SMEs, which will aid in the creation of anti-poverty programs. This investigation will provide insight into KCI Management Consultancy's resources and procedures for extending credit and how they impact the expansion of SME.

To the government

The Zimbabwean government would benefit from this research as it implements policies aimed at encouraging the growth of SMEs. The results of this investigation will contribute in the development of legislation that will provide the conditions for the success of these enterprises, as well as policies that will encourage the formation of further small businesses. The report provides an overview of the issues, tests, and recommendations relating to the difficulties that small and medium-sized enterprises have in obtaining financing.

To SMEs

The findings of this study will benefit SMEs by providing ample information regarding obtaining credit from microfinance institutions, as well as assisting SMEs in understanding how to properly utilize credit facilities provided by microfinance institutions.

To Bindura University

Future researchers will benefit from this study's understanding of SMEs and microfinances and will be able to conduct further in-depth studies on these topics. The study will build upon earlier studies and assist other researchers in developing more effective solutions to the issues facing microfinance institutions

To the researcher

The study gives researchers a better understanding of the functions Micro-Finance institutions like KCI play in supporting the expansion of SMEs through credit extensions. The study will also benefit the researcher's ability to conduct superior research. A portion of the requirements for the student's Bachelor of Science [Honours] in Economics degree and completion of the degree program are also met by the research

1.5 Assumptions

- This study makes the assumption that the data collected will contain all the details needed to complete the study.
- The chosen SMEs will experience similar financial difficulties.
- The study will make use of respondents' enthusiastic cooperation.

1.6 Delimitations

The study focuses on how microfinance institutions help small businesses grow and how well those businesses use the loan that is made available to them. While keeping all other variables equal, the study will solely look at SMEs that are served by KCI Microfinance clients in Mount Darwin. Residents of Mt. Darwin during the 2016–2017 study period are required to participate as respondents or beneficiaries.

1.7 Limitations of the study

- Confidentiality- Confidentiality will be maintained because the study's contents will focus heavily on (KCI) and its clients.
- Time limitations- . Due to time constraints, the researcher limited the scope of the study to one Micro-Finance and SMEs in Mount Darwin.
- Financial restraints- The researcher had to use data that was easily obtainable and accessible due to financial constraints.
- Unobtainability of data- Additional information will be used to achieve the same findings.

1.9 Definition of terms

Micro-Finance: - The term "micro-finance" refers to initiatives to provide families and small businesses with access to financial services that are not covered by formal or conventional commercial banking services. These are low-income, independent or tipped workers who do not have legal ownership rights.

Small and-Medium Enterprise: are small enterprises whose capital, employee count, and assets fall below a threshold specified by national regulations.

Collateral: - is used to describe anything valuable or personal that is given as security when requesting a loan.

Credit/ loan: - amount of money that is extended out and anticipated to be repaid with an interest.

Capital: - Money or assets used in starting up and financing a business.

Enterprise: - A business or firm

Economically active poor: - Those in excellent condition who want to run their own enterprises

Growth: - an expansion of their branch system, earnings, share of the market, and employees

Summary

The examiner discovered that a full comprehension of the background, objectives, research questions, preconceived notions, constraints, and delimitations of the study was necessary to comprehend the effect of microfinance institutions on the expansion of SMEs. Key words were defined in this chapter as well. In the following chapter, which is a review of the literature, the theoretical framework—the hypotheses that some academics have created to explain how SMEs develop—and empirical research will be highlighted. An evaluation of investigations conducted by other researchers on related or parallel study topics will be found in empirical studies.

CHAPTER II

Literature Review

2.0 Introduction

By collecting earlier data from the same study, this chapter analyses the literature on microfinance institutions and small business development. A literature review's objective is to add to the body of existing literature while simultaneously filling in research gaps and providing information on the topic under investigation. The literature review's theoretical and empirical components will be separated. The theoretical literature will explain why the study problem under consideration arises. Previous investigations on the subject and their conclusions will be examined in the review of empirical literature.

2.1 Theoretical literature

2.1.1 Growth in theory of SMEs

Changes have been observed over the past 50 years in both theoretical research and conceptual comprehension of the core issues facing the SME sector. Lewis (1955), whose main argument is the theory of the labour surplus. It contends that the main factor influencing the expansion of SME is the availability of additional labour, which is compelled into SMEs despite low salaries and low productivity because it cannot be used by the public sector or by sizable private companies. The SME sector grows in response to increased unemployment, serving as a safety net for individuals without jobs in the formal sector. There are numerous well-known theoretical models that make an effort to explain how SMEs grow and thrive.

2.1.2 Stages or Life Cycle model/Theory

A corporation expands gradually from the moment operations start in order to attain growth. Businesses go through a number of stages before becoming into large organizations or enterprises. Every company, according to Bruce and Scott (1987), goes through a certain stage

with unique characteristics. The concept that a firm must go through stages before reaching growth was used to describe this growth of small organisations into big firms or enterprises. Numerous academics have provided various but connected explanations of the stages or life-cycle theory of small firm development. The phase's model of small firm development was developed by Hanks et al. (1993) in an effort to explain how small businesses expand. Foundation, growth, maturation, diversity, and decline are the model's five phases. The stages of a company's growth are as follows, per Kemp et al. (2002): When the organization first gets off the ground, it has a simple organizational structure because it is young. Kemp et al. (2002) state that the organization primarily focuses on product development. Expansion comes after the first start-up phase. The company is slightly bigger and older than it was at start-up stage when it entered expansion. The business moves on to the mature stage after expanding. The organization is now twice as big, its organizational structures are more intricate, and centralization is decreasing. The firm moves on to the fourth stage, which is the diversification stage. Businesses are currently medium-sized and more likely to have divisional structures than not.

The life cycle or phase's idea was explained by Churchill and Lewis in 1983. They stressed that the company changes over time and that expansion is a necessary component of this change. According to them, there are five stages that the company must go through before achieving growth. These stages are existence, survival, success, take-off, and resource maturity, and each has a unique set of factors that are essential for the firm's survival and development. Constraints that the company encounters as it progresses from one stage to the next prevent it from reaching its potential for growth. Churchill and Lewis (1983) listed the ability of the owner to hire new staff and delegation of duty as two key growth restrictions the company experiences in the take-off stage. They claimed the corporation will require sufficient cash flow to meet the growing demand for financial resources made possible by growth. O'Farrell and Hitchens (1998) questioned the phase's expansion model or theory, claiming that it failed to provide an in-depth grasp of the process of transformation as outlined by Gibb and Scott (1985) and overlooks the critical early stages of a business's foundation and growth. Moreover, the theory does not demonstrate whether or not the progression of organisations through various phases is required. According to the life cycle theory, MFIs may be extremely important in assisting SMEs in their long-term growth and success. MFIs may assist SME

enterprises in overcoming financial obstacles and achieving their objectives by providing finance at various phases of a SME's life cycle.

2.1.3 Passive Learning Model

According to the passive learning model, a company enters a market unaware of its own potential for growth. Only after entering the market does the company begin to understand how to communicate its own profitability using data from realized earnings. In response to ongoing updates of this learning, the company decides whether to grow, shrink, or leave the market. According to the concept, businesses and their management learn about their efficiency once they become well-known in the sector. Businesses increase their actions when executives find that their estimated levels of supervisory efficiency have fallen short of actual levels. The owner's efficiency predictions get more accurate as the company grows, which reduces the possibility that output would fluctuate much from year to year. According to the theoretical model, young businesses need to experience faster and more realistic growth rates (Cunningham, Maloney, and Goedhuys, 2002). Agwu and Emeti (2014) put emphasis on the need and importance of owners or managers of small enterprises to raise their efficiency through formal education and training. They asserted that it would raise their endowments and government will be more willing to support them through creation of an environment that will enable them to flourish. Cressy (1996) in Deakins and Freel (1998) criticised Jovanovich's learning theory citing that it ignores the role of human capital accumulated prior to the business start-up. He posited that the only way that entrepreneurs are able to learn about their costs is to enter into the business.

2.1.4 Grameen Model or Theory of Micro Credit

The Grameen theory was conceptualized by Mohhamed Yunus in the Bangladeshi countryside in 1976, and the premise is one of micro-lending. According to De Soto (2000), the bank's objective was to assist underprivileged rural women in starting their own businesses and earning money. According to the plan, participants form voluntary groups of five people, each of whom is expected to contribute to a savings account at a bank and repay a loan over time.

As a result, if one member of the group fails to repay the debt, all members of the group are jointly responsible for doing so and are considered nonpayers. In order to avoid further borrowing, a group member who fails to repay a loan is expelled from the group. According to Morduch (1999), members have the option to borrow huge loan amounts if the loan is repaid within the predetermined time frame. Peer pressure encourages prompt loan repayment and aids Micro-Finances in recovering the full amount of credit. The model was criticized by Zhou and Li (2010) for the issue of shared responsibility between Grameen group members. Members acknowledge not just their own responsibility but also that of others, putting them at risk if those members fail to make loan repayments. Members of the group won't be eager to contribute if they feel unsafe.

2.1.5 Stochastic and Deterministic Approaches

The stochastic and deterministic approaches are another business growth hypothesis. According to the probabilistic model, also referred to as Gibrat's Law, all size changes are accidental. The growth of SMEs is unaffected by the age or size of the company. The law, according to Becchetti and Trovato (2002), ignores additional explanatory factors that could have a substantial impact on business growth and survival in favour of just taking size and age into account as prospective variables that may affect firm growth. However, the deterministic method presupposes that variations in the rates of development across firms depend on a panel industry and firm-specific traits (Becchetti and Trovato, 2002).

2.2 EMPIRICAL LITERATURE REVIEW

This section reviews academic studies to establish how microfinance organisations impact the expansion of small companies.

2.2.1 Degree which medium enterprises utilise credit

Machingambi (2014) used 105 randomly chosen SMEs from a population in Masvingo to study the effects of small and medium enterprises in Zimbabwe. He investigated whether SMEs were using the loans they took out from microfinance institutions for the objectives they had planned. He also learned that while the majority of SMEs are able to borrow money from microfinance organizations, very few of them were able to borrow the whole amount they needed, and very few of these SMEs were efficiently using the money they had already borrowed. This study is similar to current studies in that it evaluated how well MFI loans were used for SME growth. The investigation of the percentage of SMEs' loan applications that were approved by microfinance was another distinction between the two studies, and this one went further by examining the difficulties SMEs encounter in obtaining credit. Nendakulola (2015) looked into how Tanzania's micro- and small-business growth was affected by microfinance institutions. He employed a survey study design and a sample of 70 respondents to evaluate the extent to which SMEs used credit. According to the survey, loyal clients frequently ask for credit, which helps SMEs grow. In terms of the method employed, this study is equivalent to the current study, however the research strategy is different. While Nendakulola's study employed descriptive research this study employed qualitative techniques

2.2.2 The impact of Micro Finance on the growth of SMEs

Examining how MFIs lend to SMEs for the expansion of their firms was one of the study's main goals. The findings of the regression analysis demonstrated that Micro-Finance Institutions had a substantial impact on the expansion of SMEs in Nigeria and also contributed to the reduction of poverty. The researcher's study is comparable to this one, but this one differs from it in that it used different data. The researcher used cross-sectional data from 149 SMEs and concentrated on one Micro-Finance institution.

Additionally, the investigation demonstrated that the estimations made by Microfinance regarding the growth of the entrepreneurial sector were not statistically significant. Mintah et al. (2014) conducted research in Kumasi, Ghana's Ashanti region, to investigate the effect of microfinance institutions on the growth of small enterprises. To study the services that microfinances provide to small enterprises, 200 businesses and 20 microfinance institutions were chosen as a sample. The expansion of respondents' businesses was assessed using techniques including increasing stock level, firm sizes, infrastructure, and many other aspects.

According to the report, lending facilities supported business expansion and revenue growth. The research claims that the arrival of new products has increased.

In 2013, Ali et al. investigated the availability of microloans for small businesses. He found a positive correlation between financial accessibility and businesses' capacity to obtain loans, but he advised firms to provide SME's with reasonable and adaptable loans with the goal for them to enjoy growth and development. This supported a study by Taiwo (2016) and Nendakulola (2015). Nevertheless, this investigation highlights the requirement for entrepreneurial expertise and businessperson training in order to attain growth. Amaradiwakara and Gunatilake (2016) identified the factors that affect small and medium-sized firms' ability to grow in Sri Lanka.

At the Glenview Furniture Complex in Harare, Zimbabwe, Chipangura and Kaseke conducted a study in 2012 on the limitations faced by Small to Medium Enterprises. Chipangura and Kaseke (2012) put a lot of emphasis on how critical it is to give Small to Medium Enterprises better access. They stated that promoting private investment and competitiveness in emerging economies requires access to credit for small and medium-sized businesses. SMEs struggle with lending restrictions and a lack of funding to support their expansion. By virtue of their high transaction costs and low returns on investment, typical financial institutions view the majority of SMEs as being considered high risky businesses. However, Kamweru (2009) studied the difficulties faced by SMEs. Compared to other economic sectors, SMEs are more credit-restricted, says Kamweru (2009). He listed several factors contributing to SMEs' difficulty in obtaining loans from MFIs, including changes in financial sector policy, a lack of security, information anomalies, and significant risks involved with financing to SMEs.

Ackah and Vuvor (2011) conducted study in Ghana in an effort to evaluate the difficulties faced by small and medium-sized businesses. The study, which used 80 SMEs as a sample, revealed that most SMEs failed to put up the appropriate collateral needed to obtain the loans, not because financial institutions were unwilling or unable to offer credit to them. Lack of collateral was cited by 61% of the respondents (41 out of 68) to Ackah and Vuvor (2011) as their top issue. The firms cited high interest rates as another barrier to expansion, stating that even if they were able to offer the required collateral and obtain loans, the interest rates were

exorbitant in addition to the brief payback terms that they were given. However, this study did not consider the problem of collateral security, which set it apart from Ackah and Vuvor's (2011) analysis. The majority of SMEs experience issues with information gaps in their daily operations. According to Mwangi (2012), the majority of these enterprises rely mostly on private sources to receive market information even if they operate in a setting where there are chances to access market information. Due to their inability to comprehend market information, SMEs find it challenging to access or utilize it. However, this recent study concentrated on interest and education as the main barriers preventing SMEs from experiencing growth.

2.2.3 Problems faced by SMEs

Chipangura and Kaseke (2012) conducted research at the Glenview Furniture Complex in Harare on the growth obstacles encountered by Small to Medium Enterprises. Chipangura and Kaseke (2012) stressed the importance of enhancing accessibility for Small and Medium Enterprises in the research they conducted. They argued that expanding access to capital for small and medium-sized businesses is critical to supporting entrepreneurial activity, inventiveness, and expansion in both developed and developing countries. SME expansion has been hampered by credit constraints and a lack of financing. The bulk of SMEs are seen by formal financial institutions as substantial-risk enterprises with high transaction costs and little returns on investment. In contrary to this study, Kamweru (2009) investigated the difficulties that SMEs in the Kenyan town of Kimba faced when seeking loans. He concluded that inadequate access to capital is one of the major barriers to SME expansion, not just in underdeveloped nations. According to Kamweru (2009), SMEs face more financing constraints than other economic sectors. He listed a variety of factors, including financial industry policy imperfections, a lack of collateral, discrepancies in information, and significant risks associated with lending to SMEs, as some of the reasons why SMEs find it difficult to obtain loans via MFIs.

Research was undertaken in Ghana by Ackah and Vuvor (2011) to try to comprehend the challenges that small- and medium-sized businesses face when trying to obtain loans. The problem that many SMEs were facing, according to the quantitative investigation, which used a random sample of 80 SMEs, was not a lack of credit or a financial institution's reluctance to provide it, instead it was the reality that the majority of SMEs weren't offering the required

security in order to obtain the financing. According to Ackah et al. (2011), the primary challenge for 61% of the 68 respondents, or 41 of them, was a lack of collateral. Even if the firms were able to produce the appropriate collateral and get loans, the interest rates were high, and the repayment terms were short, making expansion difficult.

High costs of borrowing was another problem that the businesses were experiencing. The present investigation, in contrast to Ackah et al. (2011), did not take the issue of security collateral into account.

Most SMEs struggle with knowledge gaps in their day-to-day operations. According to Mwangi (2012), the majority of businesses heavily rely on personal or in-person interactions to collect market information while operating in a setting where access to market information is feasible. SMEs cannot access or make use of market information because they lack the competence to do so. The focus of this study, however, was on interest and education as the key roadblocks to SME growth.

Gap Analysis

There has been a lot of investigation done on the subject of micro finance institutions and how they affect SMEs, but it is still unclear how these organisations affect the expansion of SMEs. Numerous studies have failed to investigate this relationship and quantify the extent to which MFIs affect the expansion of SME. By using a model and establishing the magnitude of the association between MFIs and SME growth, the present research aimed to close this gap.

Summary

The aforementioned research looked at both empirical and theoretical information regarding ways microfinance organisations impact the growth of medium-sized and small-sized enterprises. The model assessed how responsive SME expansion was to variations in a number of variables. The gap analysis that the chapter gives illustrates the goal of this study by pointing

out the discrepancies amongst it and previous research. The next chapter's main topic will be the methods used for research.

CHAPTER III

METHODOLOGY

This chapter attempts to provide a synopsis of the many strategies utilised by the researcher to obtain information and data for the study. The researcher will pay close attention to the intended population, sample, and data gathering methods, presentation, and data analysis. The extent of the association between the variables chosen for the study will be assessed using an econometric model developed by the researcher, and the selection of these variables will be justified. All research methodologies have their limitations, hence the researcher will in this study highlight such limitations.

3.1 Research Design

The author of the study used a quantitative research design to achieve the study's objectives. Secondary data acquired from KCI, client records, and web sources will be used to help summarise the research findings. The econometric model's data results will next be calculated and analysed using econometric procedures.

3.2 Theoretical Model

Galton (1894) created a conceptual framework that is used in the current research to explain how height and gender are related. The multivariate linear model that Carl Pearson expanded in (1922) was created by Francis Galton, who also included a dummy variable that has since been extensively utilised in multiple studies. Gujarati (2004) defined a dummy variable as primarily a qualitative or nominal scale variable. Given that it is a multi-linear method, this model is applicable to the subject. This is one way to model it:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 D_1 + \mu \dots \dots \dots (1)$$

3.3 Model Specification

3.3.1 Empirical model

Taiwo (2016) constructed a model in which the development of SME was reliant on a pair of variables in order to explore the effects of micro finance organisations on the expansion of small companies in Nigeria.

$$SME = f(LON, LIQ)$$

$$SME = \beta_0 + \beta_1 LON + \beta_2 LIQ + \mu_1 \dots \dots \dots (2)$$

The model has been modified for estimating purposes as follows:

Where:

SME= aggregate GDP contributions

LON= Loans and advances total

LIQ = Liquidity i.e. overall deposit obligations

μ_1 = stochastic term

Although the current investigation is at the micro-level, the methodology previously addressed was designed for a national study. To conform to the theoretical foundation and achieve the particular research's goals, the researcher is going to utilise one variable, net loans and advances, and will also add the client's age, degree of training (education), and credit consumption in the model. The following shall be implied when describing the framework used for this research project:

$$EMP = \beta_0 + \beta_1 CR + \beta_2 CU + \beta_3 EDU + \beta_4 FA + \beta_5 INTR + \mu \dots \dots \dots (3)$$

Where:

SME (EMP) = Number of employees

Cr = Access to credit

Cu = Credit utilisation

Fa = Firm Age

Edu= level of education

Intr = Interest

μ =stochastic term

A variable that is continuous called access to credit (Cr) is used to calculate how much credit has been made available to a client overall. The firm age (Fa) variable, which ranges from 1 to, counts the years the customer has been in operation. The amount of credit used by businesses is determined by how frequently they withdrew from the financial organisation throughout the research period, or credit usage (Cu). If the borrower has attended business courses or gotten training from the MFI, the dummy variable education (Edu) will have the value D=1; alternatively, it will have the number D=0. Interest rate (Int) will be determined by the sum of the interest that accumulated on loans taken out throughout the investigation period.

3.4 Justification of variables

- **Access to Credit** – obtaining credit based on the total loan Business progress is essential because it affects a company's ability to grow. For a small business to last over the long term, it needs cash. Kessy and Temu (2010) hypothesized that every business requires financial aid from the very beginning. There should be a good indication regarding financing availability.
-
- **Firm age** – Firm age is the length of time a business has been active in any particular industry or sector. The quantity of knowledge a corporation has about running a company will depend on how long it has been operating (Coad,2018).According to a study by Amaradiwakara and Gunatilake (2017), a company's credit worthiness is significantly influenced by how long it has been in operation. Due to their lack of a proven track record, newer businesses may have limited access to the information

necessary by lenders at the time of credit approval. Firm age will therefore be expected to assume an upward trend.

- **Credit utilisation-** this variable tracks how customers use credit that has been given to them. Utilization of credit is advantageous since it enables customers to increase their capital by requesting additional credit lines from lenders. In fact, this aids in the expansion of their companies. The credit utilisation variable is anticipated to be positive
- **Education-** measures the degree of expertise and knowledge owners or managers have in running their businesses. Education is important because it enables business owners to manage their companies effectively and make effective use of the financing facilities that have been made available to them.
- **Interest--** is the additional fee that customers pay when they borrow money, which is calculated as a percentage added to the principle borrowed by the microfinance institution. Client borrowing rates are impacted by interest because lower borrowing occurs at higher interest rates. The variable should be in the negative.

3.5 Estimation method

The researcher used the Panel method of estimation to estimate the model. This is due to the fact that, in comparison to other estimation techniques this method can actually yield the best results. It can be presented as follows:

$$Y_i = \beta_1 + \beta_2 X_i + U_i \dots \dots \dots (4)$$

Stata 14 and Eviews will be used for all estimations.

3.6.0 Diagnostic Checking

Before estimating an econometric model, diagnostic tests must be done to determine the model's suitability for evaluation before it can be applied to forecasting. The results may not precisely reflect the situation in the actual world and could result in erroneous conclusions if the model had weaknesses. By spotting possible problems with the model prior to its usage in making decisions, diagnosis tests aid in reducing this risk. Diagnostic checking include:

3.6.1 Heteroscedasticity

There should be homoscedasticity in the error term. This suggests that the error variance ought to be evenly distributed or have a constant variance. When this presupposition is violated, heteroscedasticity appears, which, according to Gujarati (2004), may be caused by outliers in the data or by learning techniques that are prone to error. If there is heteroscedasticity, the findings of the regression analysis will alter since it suggests that the error variance is not constant. The null assumption of no heteroscedasticity will be compared against the alternative hypothesis of heteroscedasticity utilising White's test in this study. White's heteroscedasticity, consistent standard errors, and covariance are used to account for heteroscedasticity and avoid employing erroneous and unreliable standard errors.

3.6.2 Multi-collinearity

Maddala (2001) defines multi-collinearity as the existence of a totally linear relationship between the regressors or independent variables. The estimators will be BLUE in the presence of multi-collinearity, but the variance will be greater, leading in a low-precision assessment of the findings. A correlation matrix will be generated to test for the presence of multi-collinearity, and variables with a correlation coefficient of or greater than 0.8 will be split out or eliminated.

3.7.0 Model Specification Test

Gujarati (2004) asserts that the model needs to be accurately stated and devoid of biases. Using the incorrect functional form, having the incorrect variables, or omitting crucial

variables can all result in misspecification. A Ramsey Reset test will be used to determine whether the model is adequately stated. If the coefficient of determination is less than the criterion of significance, it will be assumed that the model is insufficient for describing the model and the null hypothesis will be rejected.

3.7.1 Goodness of Fit Test

The "Goodness of Fit" metric examines the R² (coefficient of determination) and adjusted R² to determine how well the sample regression matches the data. Gujarati (1995) defines the co-efficient of determination as an evaluation of the relevance and specifications of the model as a whole in order to determine the reliability of a model. The R² must be greater than 0.5 (50%) under the null hypothesis that the model is poorly described in order for us to draw the conclusion that the model is correctly defined against the alternative hypothesis that the model is correctly specified. If R² is greater than the threshold, we reject the null hypothesis and conclude that the model we use fits the data well.

3.7.2 F Test

In the study, the F-Test will be utilised to assess the overall model's relevance. To ensure that the results of the analysis of regression are reliable, the F-statistic must be significant at all levels, or at 1%, which implies that its probability must be zero. This is required for the model to be significant.

3.8 Data Sources and Problems

The microfinance institution provided secondary data that was used in the study between January 2016 and December 2017 (the study period). The researcher encountered difficulties due to a paucity of data on client sales revenues, which was the strongest indicator of SME

growth. As an outcome, the investigator opted to utilise the number of employees as an alternate indicator of SME growth.

3.8 Data Population and Sampling

A population is a whole group about which some information must be ascertained, according to Banerjee and Chaudhury (2010). The population of the study consists of all customers who utilise KCI Micro-Finance's credit services in Mount Darwin. Since it was not feasible to collect and compile data for all of the participants, the researcher employed methods of non-probability sampling such as appropriate and judgemental sampling, which are based on the researcher's assessment of what elements are suitable for executing the research and the practicality of the information in terms of the primary factors, which are time as well as finances. Because it contains all of the consumer and company attributes such as firm age, credit utilisation, client education, and other aspects, 150 KCI clients in the retail industry were chosen as an appropriate representative sample. In order to include all pertinent developments that can have an impact on the findings, the research sample was chosen primarily based on the availability and accessibility of data as well as the customers' length of residency and firm operations in MT Darwin.

3.9 Summary

This section discussed how the researcher gathered the data needed for the investigation. This material included the research design, model details, and research population, and sample size, data collection techniques, estimating procedure, and reasoning for the variables used for estimation. The link between SME expansion and credit expansion was also established. The following section's main areas of discussion will be presentation of data, assessments, and appraisal.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

The section that came before this one explained the approaches that would be used in this inquiry. In order to satisfy the study's objectives, this part will include the presentation of data and interpretation. E views and Stata will be used to perform the analysis of regression, which comprises statistic descriptions, diagnostic procedures, and regression results.

4.1 Statistical analysis

Table 1: Descriptive

	(1)	(2)	(3)	(4)	(5)
VA	N	mean	sd	min	max
RIA					
BLE					
S					
EMP	150	2.473	1.637	1	7
CR	150	5,696	2,766	400	15,000
CU	150	7.960	3.117	3	18
EDU	150	0.467	0.501	0	1
INT	150	861.0	422.7	60	2,550
FA	150	7.760	3.305	2	17

Source: Stata 14

The first tableau shows that the average of employment (EMP), measured as the number of employees, is **2.47**, implying that KCI clients employed three persons on average. Clients borrowed an average of **\$5696** from the Micro-Finance Institution, according to access to credit (CR), which is measured as the aggregate amount of credit disbursed during the study period. For the entire research period, the average credit utilisation (CU) rate was **7.960**, based on how many times a client borrowed. The average score for Education (EDU) was **0.467**, showing that the majority of clients lacked any business training or education. The average duration of most businesses, according to firm age (FA), was **7.76** years. Interest was **861**

When compared to other variables, access to credit (CR) demonstrated the largest dispersion from the mean with a standard deviation of **5696**. Education (EDU), on the other hand, contains observations that are closer to the mean, as seen by a standard deviation of **0.467**

4.2 Diagnostic Test

4.2.1 Multi collinearity

The test was run to check for any relationships across the explanatory variables. Although association cannot be completely eliminated, a coefficient of 0.8 is regarded as acceptable.

Table 2.correlation matrix

Matrix of correlations

	(1)	(2)	(3)	(4)	(5)
Variables					
(1) CR	1.000				
(2) CU	0.642	1.000			
(3) EDU	0.354	0.348	1.000		
(4) INT	0.808	0.605	0.364	1.000	
(5) FA	0.124	0.174	0.019	0.141	1.000

Source: Stata

There is no relationship between the variables in table 2 based on their correlation coefficients, which are all less than 0.8 with the exception of (CR) and (INT), which have a coefficient of 0.81. According to this, it is unable to distinguish between the numerous effects of the explanatory variable on the dependent variable (EMP). To deal with this, one variable, (INT), was eliminated.

4.2.2 Heteroskedasticity

A scenario in which the variances of the error term are not equal. Running a regression in the presence of heteroskedasticity will result in inaccurate results since the standard errors will not be accurate because they will not be consistent. If the P value is greater than 0.05, heteroskedasticity is absent.

Table 3: heteroskedasticity

Test for heteroskedasticity using the Breusch-Pagan/Cook-Weisberg formula

Ho: Persistent variation

Variables: fitted EMP values

chi2 (1) = 21.71

Prob > chi2 = 0.0000

Source: stata 14

The P value in the aforementioned table is less than 0.05, indicating the existence of heteroskedasticity. Because of this, it is likely that the calculated t and F values will be incorrect, and the standard errors will be large. Any conclusions drawn from the data will be incorrect and untrustworthy as a result. White heteroskedasticity standard errors and covariance are used to correct the standard errors, making them valid and suitable for inferring inferences from the data.

4.2.3 Normality Test

Table 4 : Normality

Skewness/Kurtosis tests for Normality					
----- joint -----					
Variable	Obs	P (Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
-----+-----					
Resid	150	0.0924	0.1074	5.35	0.0688

Source: Stata

The probability calculated from the table above was 0.06, which is greater than 0.05. We are unable to disprove the null hypothesis of regularly distributed errors and the applicability of a parametric test.

4.3 Model Specification Test

4.3.1 Ramsey Reset Test

The Ramsey RESET test examines whether the model was correctly stated, if a relevant variable was removed, an irrelevant variable was added, or if the wrong functional form was used. It also detects whether the model was accurately presented.

Table 5. Ramsey reset test

Equation: UNTITLED

Specification: EMP CR CU EDU FA C

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.696069	144	0.4875
F-statistic	0.484512	(1, 144)	0.4875
Likelihood ratio	0.503853	1	0.4778

The result of the Ramsey RESET test is 0.4875, which is greater than 0.05. We are unable to reject the null hypothesis and conclude that the model has been properly defined.

4.4 Regression results

The results of the application of the ordinary least squares estimate technique are observed in table 5.

Table 5: regression results

The results of the application of the ordinary least squares estimate technique are shown in table 5.

Table 6 : Regression model results

Dependent Variable: EMP
Method: Least Squares
Date: 04/25/23 Time: 13:34
Sample: 1 150
Included observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.314673	0.342149	-0.919695	0.3593
CR	0.000306	4.83E-05	6.338227	0.0000
CU	0.022763	0.043141	0.527649	0.5985
EDU	1.397778	0.218685	2.733512	0.0070
FA	0.075075	0.031020	2.420189	0.0167
R-squared	0.450201	Mean dependent var		2.473333
Adjusted R-squared	0.435035	S.D. dependent var		1.637221
S.E. of regression	1.230604	Akaike info criterion		3.285652
Sum squared resid	219.5859	Schwarz criterion		3.386006
Log likelihood	-241.4239	Hannan-Quinn criter.		3.326423
F-statistic	29.68324	Durbin-Watson stat		1.995200
Prob(F-statistic)	0.000000			

Source: E views

SOURCE : Stata

From the table above the linear model can be estimated as follows

$$\mathbf{EMP} = -0.314673 + 0.000306\mathbf{CR} + 0.022763\mathbf{CU} + 1.397778\mathbf{EDU} + 0.075075\mathbf{FA}$$

Where

EMP=Number of employees

CR =Access to credit

CU=Credit Utilisation

EDU=Education

FA =Firm AG

4.6 Significance of the model

The model is critical in defining the oscillations in staff numbers and is accurately described because the likelihood of an F statistic is 0.000000, which is less than 0.01 when using the F TEST. This indicates that the model has a 1% level of relevance and a 99% confidence in its accurate specification.

4.7 Interpretation of results

4.7.1 Access to Credit (CR)

We can reject the null hypothesis that there is no statistical significance and accept the alternative hypothesis that the variable is important since access to credit (CR) has a probability value (P-value) of **0.0000**, indicating that it is statistically significant at the 1% level of significance. The association between access to credit and the number of employees is positive, as indicated by the coefficient of (CR) of **+0.000306**. The coefficient predicts that for every \$1 increase in credit availability, there will be a **0.000306** rise in employment. Theoretically, there is a positive and statistically significant association between access to finance and the expansion of SMEs, demonstrating that the theory holds true in the situation of Zimbabwe.

This study has achieved its goal of determining whether there is a link between credit availability and SME growth. The majority of businesses are having trouble obtaining a sizable quantity of loan from KCI microfinance, despite the fact that there is a strong association between access to credit and SME growth. It is necessary for SMEs to raise enough money to hire one more employee and expand their businesses. Summary statistics showed that SMEs were able to secure loans from KCI averaging \$5696 with some securing loans as low as \$1300, which might not be enough to have an impact on growth.

This difficulty may be linked to the SMEs' inability to obtain larger loans from the microfinance institution due to a lack of collateral security on their behalf. We discovered evidence from the study to support the alternative hypothesis, which claims that there is a relationship, and to reject the null hypothesis, which states there is no association between access to credit and growth of SMEs.

The findings of the current study are comparable to those of Taiwo (2016), who looked into the relationship between microfinance institutions and firm performance, and to those of Ali et al. (2013), who found a positive relationship between small business growth and access to credit, but who also found that these companies had difficulty getting these loans.

4.7.2 Credit Utilisation

Credit Utilisation, as determined by the frequency with which customers borrowed money from the Micro-Finance, was found to be statistically insignificant in predicting changes in the workforce. The null hypothesis that the variable is not significant is accepted since the P-value for this variable is greater than 0.05, indicating that it is not statistically significant.

This variable may not have much of an impact on the growth in the number of employees because customers only borrow small sums of money from the microfinance institution, which will have no impact on growth as measured by the number of employees even if they borrow numerous times. This demonstrates that it is not crucial to access microloans frequently; rather, it is the loan amount that is accessible that will contribute to the expansion of SMEs.

This study's goal of determining if SMEs were using microloan financing was achieved, as shown by the average of 8 times they borrowed from microloans, even though the variable had

no meaningful impact on business growth. This demonstrates that SMEs were making use of the services provided by the microfinance organisation, as the majority of businesses borrowed from it up to 18 times.

4.7.3 Client Education

With a P-value of **0.0070**, which is less than 0.1, the education variable—measured by a client's receipt of business training or not—has shown to be significant in explaining changes in employment. To infer that this variable is statistically significant at the 1% level of significance, we reject the null hypothesis in favour of the alternative hypothesis.

According to the co-efficient of **1.397778**, there is a link between client education and the expansion of SMEs' workforce. According to the economic interpretation of the coefficient's value, increasing business education through training by one year leads to a **1.4-fold** increase in the number of employees for SMEs. This implies that SMEs will hire one more person for every year of increased education.

This study demonstrates that the theory—which holds that education has a favourable link with the expansion of SMEs—applies to SMEs in Zimbabwe, where the client's education has a big impact on the number of employees.

The problem is that most SMEs lack formal training in business management, which presents a hurdle. The summary statistics, which showed an average educational level for business training of **0.47**, reflected this and indicated that **0.53%** of KCI clients lacked business management training. The majority of small businesses rely on skills that are taught to them by their family, friends, and coworkers and then use those to run their own businesses, which may be the cause of this lack of knowledge.

Similar findings to those of the current study were found in a study by Amaradiwakara and Gunatilake (2017), who identified insufficient financing as the factor that was most significantly associated with the expansion of Small to Medium Enterprises. This demonstrates

the necessity for microfinance institutions to give SMEs access to sufficient funding so they may grow and be able to create new jobs.

4.7.4 Firm Age

A P-value of **0.0167** indicates that the alternative hypothesis should be accepted in place of the null hypothesis. This indicates that the variable is statistically significant at the 5% level and that there is a 95% confidence interval that changes in firm age explain changes in employment. This variable thus proves to be statistically significant in explaining changes in the growth of SMEs with regard to the number of employees. A year added to the firm's age or another year of operation will result in a **0.075075** rise in the number of employees, according to the economic interpretation of the firm age co-efficient of **0.075075**.

The study's findings revealed that the average company age of KCI clients is 8 years, which is in line with one of the study's goals, which was to identify the difficulties faced by Small to Medium Enterprises. This demonstrates that most businesses are still in their infancy. As a result, there is a problem since these fledgling enterprises run the risk of not growing at all because they cannot withstand competition from established, major firms.

Theoretically, businesses that have been around for a while have a greater chance of obtaining appropriate credit because they do not present a danger to MFIs in terms of delinquency and defaulting on loan payments. This is because businesses are better equipped to manage the financing they get since they are more aware of their business environment, strengths, and issues. Therefore, it is crucial that the government and financial institutions establish a support-based framework.

4.8 Summary

This chapter's main topics were the interpretation, analysis, and discussion of the results of the regression. The regression study shows that the number of employees in MT Darwin from 2016 to 2017—a metric of the growth of SMEs—is positively connected with 33 access to finance, firm age, and education. However, during the study period—from 2016 to 2017—credit utilisation was neither significant nor relevant in driving changes in employment in MT Darwin. The study's findings validated a variety of hypotheses, including those about the relationships between the growth of SMEs in Zimbabwe and the accessibility of funding, education, and business age. The following chapter will go over drawing conclusions, offering opportunities for additional research, and making policy recommendations.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This study sought to determine the impact of KCI Micro-Finance on the expansion of Small to Medium Sized Enterprises (SMEs). This chapter presents policy recommendations to the government based on the research's analysis from the chapter before, as well as findings regarding the connection between loan funding and the expansion of SMEs.

5.1 Summary

This study looked at KCI Micro-Finance between 2016 and 2017 to determine how Micro-Finance Institutions impacted the growth of Small to Medium Enterprises. The results of the study show that SMEs grow more quickly when they have access to financing. Determining if businesses were using credit was another goal of the current investigation. The results of descriptive statistics showed that enterprises were, as shown by the eight times the average amount of loans they received from the microfinance organisation during the research period. The findings demonstrated that customers borrowed from the MFI up to 18 times, demonstrating a serious abuse of the financial services provided. The third and last objective of the study was to assess the hurdles that SMEs face when applying for loans. The study's findings, which reveal that SMEs take out loans worth, on average, \$5696, underscore the need for MFIs to offer their clients the right amounts of credit in order to assist their growth. Most SMEs' owners and managers lack formal training in traditional business management, which limits their capacity to grow. SMEs have an average level of business training education of 0.46, according to the summary statistics. This implies that fewer than half of the clientele have a background in business. The fact that the majority of SMEs are run by sole proprietors who receive informal advice on how to run their businesses from friends and

family who work in related industries, as well as the lack of business training options and facilities in the microfinance sector, may all be contributing factors to this lack of education.. Current study's goals have been achieved, but there are still additional elements that influence how SMEs evolve, such as the traits of the owner or manager and the age of the company.

5.2 Conclusions

The goals that served as the study's compass lend weight to the findings. This study's objectives were to evaluate how microfinance institutions affected the expansion of SMEs, to examine the amount of credit used by SMEs, and to examine the challenges SMEs face when applying for loan. The research found a significant link between work and credit accessibility. The empirical tests carried out in this study allow us to draw the safe conclusion that access to capital positively influences the growth of small and medium-sized firms. The loans that KCI Microfinance offers to its customers greatly assist in the growth of their enterprises. The current study's findings indicate that expanding SMEs' access to credit will raise the amount of capital such companies need to grow and stay successful, encouraging those companies' expansion and growth in employment.

After conducting the study, we reject the null hypothesis, which claims there is no connection between SME growth and credit availability, in favour of the alternative hypothesis, which claims there is a connection but that its strength depends on the size of the loan the client receives.

According to the study's findings, MFIs must advance credit to SME owners in order for those owners to experience growth, but that credit must also be adequate. According to the study's findings, the majority of SMEs are having problems securing loans for sizeable sums.

The study also found that education was vital for assisting SMEs to expand because it had a positive association with that growth as evidenced by increases in SME employee numbers. For greater SME sector growth, businesses should implement business management

education and training programs. Business managers must receive thorough training in order for their organizations to run effectively and to increase their chances of success by making optimal use of resources and being able to manage capital and money.

Last but not least, it was discovered that Credit Utilisation had no discernible effect on business growth, proving that the frequency of Micro-Finance borrowing had little bearing on whether or not SMEs increase their employment. Despite KCI clients borrowing frequently throughout the study period, there was no influence on their employment progress, which may be because the sums secured weren't sufficient.

5.3 Recommendations

Small to Medium Sized Enterprises (SMEs) are the majority of Zimbabwe's ever-expanding informal sector. SMEs continue to grow on a daily basis. Small and medium-sized enterprises (SMEs) currently make up the majority of sources of employment for unemployed Zimbabweans and have a considerable impact on the country's GDP. In this way, the growth of these SMEs and their continuous existence will aid Zimbabwe's economy in reducing unemployment. The researcher has therefore provided a few suggestions that should be adopted in order to guarantee the continuous and long-lasting expansion of SMEs in Zimbabwe.

□ To strengthen SMEs' access to funding, the government must put in place a number of measures that promote SME participation and increased economic activity. The Reserve Bank of Zimbabwe estimates that only 3.78% of all loans and advances made by banks in Zimbabwe are granted to SMEs. This implies that banks tailored to SMEs must be established, as was the case with the youth-focused Empower Bank (EB) and the women-focused Zimbabwe Women Micro-Finance Bank (ZWMB), in order for the government to support SME operations and boost their capital base. Parallel to this, SMEs need a bank that was specifically developed to fulfil their unique financial needs because they are having trouble getting loans because of the advantages enjoyed by large, well-known corporations. Because of their lack of collateral, high risk, and recent operational history, banks and other

conventional financial institutions consider SMEs as being too hazardous for them to lend credit.

The study discovered a positive relationship between SME growth and company age, as determined by the duration of operation. The government should regularly evaluate the functioning of these SMEs and set up tools that monitor microfinance institutions to make sure that the services they offer do not come at the expense of Small to Medium Enterprises in order to secure their survival.

□ Every microfinance institution should be required by government policy to provide SMEs with business coaching and financial advice as part of their services. This guarantees that SMEs acquire formal education in business management and are better positioned to grow and expand, increasing the number of jobs in the nation. The government should work tirelessly to ensure that SMEs receive proper training in business management because studies has shown that education is essential to assuring their growth.

Everything taken into account, Zimbabwe is working to create an economic environment where there is a level playing field between SMEs and established firms as well as combat the ongoing unemployment issue that has bedevilled the country for years. SME education, easing access to credit for entrepreneurs, and strategic measures to ensure survival are crucial to helping SMEs achieve growth and address unemployment issues.

Area of further study

The study might persuade the researcher that further investigation is required to determine how licencing and registration affect financing availability in order to support the growth of SMEs. The licencing procedure was not included in the current study, which could have an impact on whether or not enterprises can receive loans. Since licencing and registration ensure that lending to Small and Medium Enterprises is risk-free, banks and other financial institutions will be more willing to extend credit to registered companies than to unregistered

ones. The impact of rivalry from large enterprises and the problem of technology, which are additional factors influencing the growth of Small to Medium Enterprises, were not taken into account in the current study.

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APPENDICES

Appendix A : Descriptive statistics

	(1)	(2)	(3)	(4)	(5)
VA	N	mean	sd	min	max
RIA					
BLE					
S					
EMP	150	2.473	1.637	1	7
CR	150	5,696	2,766	400	15,000
CU	150	7.960	3.117	3	18
EDU	150	0.467	0.501	0	1
INT	150	861.0	422.7	60	2,550
FA	150	7.760	3.305	2	17

Appendix B: Multicollinearity

Matrix of correlations

	(1)	(2)	(3)	(4)	(5)
Variables					
(1) CR	1.000				
(2) CU	0.642	1.000			
(3) EDU	0.354	0.348	1.000		
(4) INT	0.808	0.605	0.364	1.000	
(5) FA	0.124	0.174	0.019	0.141	1.000

Appendix C: Heteroskedasticity

Test for heteroskedasticity using the Breusch-Pagan/Cook-Weisberg formula

Ho: Persistent variation

Variables: fitted EMP values

chi2 (1) = 21.71

Prob > chi2 = 0.0000

Appendix D: Ramsey RESET Test

Equation: UNTITLED

Specification: EMP CR CU EDU FA C

Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	0.696069	144	0.4875
F-statistic	0.484512	(1, 144)	0.4875
Likelihood ratio	0.503853	1	0.4778

Appendix E: Normality test

Skewness/Kurtosis tests for Normality

----- joint -----

Variable	Obs	P (Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
resid	150	0.0924	0.1074	5.35	0.0688

Appendix F: regression results.

Table 6 : Regression model results

Dependent Variable: EMP
Method: Least Squares
Date: 04/25/23 Time: 13:34
Sample: 1 150
Included observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.314673	0.342149	-0.919695	0.3593
CR	0.000306	4.83E-05	6.338227	0.0000
CU	0.022763	0.043141	0.527649	0.5985
EDU	1.397778	0.218685	2.733512	0.0070
FA	0.075075	0.031020	2.420189	0.0167
R-squared	0.450201	Mean dependent var		2.473333
Adjusted R-squared	0.435035	S.D. dependent var		1.637221
S.E. of regression	1.230604	Akaike info criterion		3.285652
Sum squared resid	219.5859	Schwarz criterion		3.386006
Log likelihood	-241.4239	Hannan-Quinn criter.		3.326423
F-statistic	29.68324	Durbin-Watson stat		1.995200
Prob(F-statistic)	0.000000			

Source: E views

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