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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN ANALYSIS OF THE CHALLENGES FACED BY MICROFINANCE INSTITUTIONS IN THE PROVISION OF FINANCIAL SERVICES DURING THE COVID 19 PANDEMIC IN HARARE, ZIMBABWE

SUBMITTED BY

THEODOLLAH ZINYOHWA (B1850297)

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DEDICATION

This dissertation is dedicated to my loving parents, my mother and my father, who have always been by my side and supported and motivated me throughout my career. They encouraged and inspired me to be the best I could be in life because of them.

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First and foremost, I want to express my heartfelt gratitude to the Almighty God for his love, which has led me this far; without him, I would not be who I am today. My deepest gratitude is extended to my devoted parents, Baba and Amai Zinohwa, for their unwavering love and support for my education. You are the one who has worked diligently for me to become the person I am today, and you are always at my side. I will be eternally grateful to you, and may God abundantly bless you.

ABSTRACT

The current economic uncertainty in Zimbabwe is having a negative impact on the operations of the country's manufacturing sector, including microfinance. Microfinance Institutions (MFIs) have been exposed to a number of obstacles that have harmed their operations and, as a result, their continuous survival. The goal of this research was to learn more about the issues that MFIs face and what causes them. A descriptive research approach was employed to collect data from respondents who included MFI executive directors, accountants, and loan administrators in order to accomplish this. The study employed a sample of twenty-eight systematically selected MFIs from a total of sixty-eight registered MFIs in Harare's Central Business District. Both primary and secondary data were collected using questionnaires, interviews, and observations. The study's findings revealed that tough competition is the most significant difficulty facing most MFIs. Their issues discovered were liquidity issues, non-performing loans, a lack of employee capabilities, and system issues. The survey also indicated that personal (shareholder) money are the most common source of funding for MFIs, and that the government only provides technical assistance to MFIs. MFIs, it was decided, have a number of issues as a result of the present economic downturn and a lack of considerable government support. MFIs should engage in massive marketing, implement strong corporate governance, invest in corporate social responsibility strategies, plough back profits for reinvestment, and promote group borrowings by their clients to improve their cash flows, market their institutions, and mitigate the public's negative perception of microfinance, according to the study. The study also recommended MFIs to deal with business challenges strategically such as hiring and training, defining job roles, monitoring employee performance and adopting appropriate culture to motivate staff.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

The background of the study, the statement of the problem, the research aims, the research questions, and the study's importance are all covered in this chapter. It also includes a review of the chapter's assumptions, delimitations, and restrictions, as well as an explanation of key terminology and a chapter summary.

1.1 Background of the study

Microfinance institutions (MFIs) are an evolution of micro credit, which was a narrow view to giving poor people, whilst micro finance was formed to expand the operations of those micro credit by offering a wide range of services to the poor. Helms 2006 postulated that micro finance was formed from an evolution of micro credit. Micro credit evolved the provision of small loans to the poor, in terms of small credits back then, on the other hand micro finance covers a wide range of services both financial and non-financial services that includes savings, insurance, money transfers, training and engagements over and above credit. In the current era, the provision of services by micro finance institutions ranges from traditional informal suppliers to the commercial banks.

Microfinance institutions are well known for their favorable impact on economic growth and dev elopment in poor countries, particularly in the third world. Microfinance, according to Deribie et al. (2012), is a significant tool for economic growth since it finances micro projects for the poor. The poor have been observed to be excluded from official financial systems all around the world (Anduoli, 2013; Brau and Woller, 2004). As a result, microfinance arose from the necessity to address the problem of the poor's exclusion from official financial services, as explained by (Charles, 2003), who claims that Microfinance Institutions were established to provide loans to the poor in order for them to start and grow businesses. Microfinance enables entrepreneurs and small company owners in impoverished or rural areas to receive small sums of capital that would otherwise be difficult to obtain. A number of microfinance institutions have sprung up to help arrange and organize this type of lending as well as provide financial services.

Microfinance was envisaged as a complement to both banks, which service only 5-20 percent of the population in most developing countries, and informal and semi-formal sources of funding for the poor, such as moneylenders. "A lending methodology that employs effective collateral substitutes to distribute and recover short-term, working capital loans to micro entrepreneurs," according to the definition of microfinance. The features of joint liability or group lending, dynamic incentives that allow for a rise in loan amount over time, regular repayment schedules, and alternative collateral through forced savings distinguish microfinance from commercial lending (Gine 2003).Microcredit can be linked to the microfinance feature of a savings account; creditors may choose to incorporate a loan covenant. The borrower must set aside a percentage of profits in a savings account with the financial institution to be held as collateral until the loan is paid, according to the loan covenant. As a result, creditors are protected, and if the loan is returned, the borrower will have received savings interest on the money deposited in the savings account.

(MFIs) make a significant contribution to the economy of any country. MFIs are the pivot around which many financially disadvantaged individuals rely in terms of access to credit for their enterprises, particularly in the informal sector. Finance institutions play an important part in many countries' poverty alleviation and job creation agendas, including Zimbabwe. Despite the significant role that MFIs play in national economies, there is widespread acknowledgment that the institutions can operate better if they can overcome the hurdles they confront in their operations. However, in order for MFIs to effectively address the obstacles they faced during the COVID 19 epidemic, they must first recognize and appreciate these challenges, as well as the threats they pose to their operations' effectiveness.

According to Matamanda, A R (2020), the stability of Zimbabwe's financial institutions, both micro and macro, is jeopardized by the likelihood of a sharp increase in non-performing loans, which are already at record highs of 11% in 2019. Borrowers from all industries and sizes of businesses will be impacted, as a drop in income and revenue will leave them unable to meet their obligations. Individual institutions are still at risk of failing. Microfinance financial institution (MFI) portfolios, for example, will be strained as a result of lending to households with erratic income and no assets, and some MFIs would fail.

1.2 Statement of the problem

More microfinance organizations are closing their doors, and their expansion has slowed, with bad results. The number of registered MFIs fell, according to Mutambanadzo et al (2019:154). According to a research by RBZ (2019), there are 460 MFI branches in Zimbabwe, implying that each microfinance company has an average of 3.76 branches. During the COVID 19 pandemic, most MFIs failed to open new branches from existing ones and closed at an early stage, while others struggled to expand their operations, necessitating the need to discover what challenges these organizations are facing and what is preventing them from expanding, resulting in the need to find out what challenges these organizations are facing and what is preventing them from expanding, resulting in the need to find out what challenges these organizations are facing and what is preventing them from expanding, resulting in closures during this pandemic.

1.3 Aim of the study

The goal of this study is to discover the obstacles that MFIs confront in extending their business activities and surviving the COVID 19 epidemic. The researcher chose Harare as the location for her investigation since it is the country's economic and financial hub. Because MFIs are a force to be reckoned with in the development processes of emerging nations, the information to be gathered is believed to be adequate to come up with appropriate remedies.

1.4 Research Objectives

The following objectives assisted the researcher to carry out the projected successfully;

- . To identify the difficulties faced by microfinance companies in Zimbabwe in delivering services to the informal sector during the COVID 19 pandemic.

- To examine the causes of the challenges being faced by the Microfinance institutions in expanding their business activities during this pandemic.

- To identify the sources of funding for Microfinance institutions.

- To analyze the influence of government in the microfinance parlance during the COVID 19 period.

1.5 Research Questions

The following are research questions the researcher established to deal with the problem effectively;

❖ What are the problems facing Zimbabwe's microfinance institutions as the COVID 19 outbreak unfolds?

♣ What are the causes of the challenges faced by microfinance institutions in this period?

♣ What are the sources of funding for microfinance organizations?

♣ How does the government influence microfinance activities by the COVID 19 restrictions?

1.6 Significance of the study

The following stakeholders will benefit from the study;

Microfinance organizations

The MFIs will profit from this research since it will identify the primary reasons for MFI closure and why these MFIs are not increasing during the COVID 19 epidemic. It will also provide them with potential solutions to overcome the obstacles that are impeding their business expansion procedures, ensuring their survival, viability, and growth.

Small-to-Medium Businesses

The findings of this study will assist Small-to-Medium Enterprises (SMEs) in running their businesses profitably, smoothly, and successfully by providing them with access to a broader range of financial and non-financial services, allowing them to start new businesses or expand existing ones by capitalizing on the funds made available by the MFIs.

The University and other researchers

The research will provide literature for the university library which serves as a basis for further research since the copy of this research will be readily available in the university library.

The government

This government will be aided in crafting national policies and state regulations from a well-informed perspective, ensuring the survival and growth of MFIs and avoiding the problem of repeating past mistakes. It will also serve to raise the country's Gross Domestic and National Product by diversifying MFI activities, resulting in higher national output and economic development.

To the researcher

I'll have a better understanding of how MFIs work and expand my knowledge in the field. The grades to be acquired are an important step in the University's partial fulfillment of the Bachelor of Accountancy Honors degree requirements.

1.7 Assumptions

The researcher worked on the following assumptions that;

- The findings attained from the sampled population applied to microfinance institutions in Zimbabwe.

- The respondents were able to provide the information required and cooperated during the research.

- The respondents provided information free from bias.

- The methodology was ethically acceptable and the research instruments were valid and reliable.
- The challenges on which the researcher encountered did not negatively affect the validity of the research findings

1.8 Delimitations

Despite the fact that the study was for the greater good of the country, it was limited to Harare province, which was chosen as the study's focus point. The study focuses on registered microfinance institutions (MFIs) that provide any type of microfinance service, including operations, strategies, and interactive skills, as well as terms and conditions and credit lending policy, for the years 2019 to 2021.

1.9 Limitations of the study

- . There was insufficient time and financial resources to visit all of the MFIs in Harare, and some had to relocate. The researcher was tasked with locating their new locations and dealing with a demographic sample that represented all MFIs in Harare.

- . Some data was omitted, and respondents refused to provide the requested information due to confidentiality concerns. The researcher persuaded them by assuring them that the information would be used purely for academic purposes and would be kept private.

- Because some respondents were busy with their daily schedules and couldn't be available for interviews, it took longer than planned for them to complete the questionnaires and interviews. As a result, they suggested their own dates. For the questionnaires, the researcher needed to be patient and reschedule the interviews accordingly.

1.10 Definition of key terms

Microfinance - It refers to a variety of financial services, including as loans, savings, and insurance, that are offered to disadvantaged entrepreneurs and small business owners who lack collateral and would otherwise be denied a traditional bank loan. (Source: ZNMP, 2008)

Microcredit - is the provision of very tiny loans (microloans) to disadvantaged borrowers who often lack collateral, stable employment, and a credit history (Guerin et al). (2015). Poverty is defined as the inability to meet one's fundamental necessities or earn enough money to live comfortably (Wright, 2001).

MFIs - These are profit-making companies, regulated financial institutions, or commercial banks that supply low-income clientele with microfinance products and services (Accion International, 2007).

Financial inclusion-- refers to all 'bankable' people and businesses having access to credit, savings, and payment systems, as well as all insurable people and businesses having access to insurance (ZNMP, 2008)

Challenges - in this research study challenges refer to the factors that inhibit the growth of and development of microfinance institutions and hinder them from achieving their organization goals.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter aims to improve understanding of the research topic by critically examining and reviewing literature related to the research project, including theoretical and empirical literature. The current literature's gap will be shown. The chapter examines theoretical evaluations of COVID 19's financial implications in the supply of financial services by financial institutions, particularly microfinance, conducted by various academics. The studies were conducted in a number of countries, both developing and developed, and included work on African exchanges.

2.1 The purpose of Literature review

A literature review is a summary of what has been published on a given topic by qualified scholars and researchers (Taylor, 2011). According to Thody (2007), a literature review is a summary of all secondary data sources. The primary goal of a literature review is to position each piece of work in the context of its contribution to understanding the research problem under consideration, thereby providing some answers to the research questions. It aids the researcher in identifying the gap between previous and current research. According to Hart (1998), a literature review is essential to the success of any academic research project, as it ensures the topic's research ability before the research begins.

2.2 Conceptual framework

2.2.1 Microfinance

Microfinance can be characterized as an economic development strategy aimed at helping low-income people in a specific society (both man and women). Microfinance, according to Alemayehu (2010), is the provision of financial services to low-income people or solidarity lending groups, such as consumers and self-employed people, who have traditionally had limited access to banking and related services. Microfinance is also known as "banking for the poor," according to Grameen's Trust Foundation (1999), because the impoverished encounter difficulties to accessing financial goods from traditional financial institutions. High operational costs and risk issues are the key obstacles. According to Roodman and Qureshi (2006), microfinance encompasses the provision of a wide range of financial services to the poor, including savings, insurance, money transfers, and credit. Microfinance institutions were created to give financial and non-financial services to the active poor and low-income persons who needed money to start or expand a business (Ojo, 2009). Microfinance, according to Adams and Raymond (2008), is an economic project that was pioneered in the 1970s by Dr. Mahommed Yunus in Bangladesh as a better approach to reach out to people in need of financial services. However, Mago (2013) argued that this history of microfinance is not entirely accurate, claiming that Dr. Yunus just revived a long-standing tradition of microfinance. According to Navajas et al. (2000), the major goal of microfinance is to improve the welfare of individuals living in poverty by providing better access to small loans that are not provided by traditional financial institutions such as commercial banks. Microfinance arose from the recognition that microbusinesses and some impoverished clientele can be 'bankable,' that is, they can return interest and principal promptly and hence save money, if financial services are adjusted to their requirements (Khan and Rahaman, 2007). Microfinance, according to Bell (2012), exists to fill a gap in the financial system of emerging nations in terms of delivering loans to the poor. Microfinance, according to Wolday (2000), is a critical instrument in reducing poverty by providing loans, savings, and other financial assistance to support the poor generate income and assets, manage risks, and earn their way out of poverty.

Microfinance Institutions (MFIs) are critical in providing financial services to the financially disadvantaged, namely the poor and the informal sector. Microfinance institutions, according to (Kereta, 2017), are an implement for financial development and improvement by supporting microdevelopments for the poor. According to Woller (2012), the poor are excluded from financial systems all over the world, hence micro finance institutions were created to address the challenges that the poor have when dealing with official financial institutions. Microfinance Institutions were established to cover loans to the underprivileged in order to empower them to start and grow businesses, according to (Gaboury, 2015). Microfinance institutions focus on providing financial services to the poor, such as capital credit, to improve their living standards and empower them.

On the other side, according to Meier and Rudolf (YEAR), access to microfinance alleviates poverty by generating profits, creating jobs, letting children to attend school, helping people to acquire health care, and allowing impoverished people to make the best decisions for their needs and wants. Micro lending, often known as micro credit, is a branch of microfinance that focuses on the provision of small loans. Microfinance is defined by (Blumberg, 2011) as the providing of tiny micro-loans to the impoverished in order to start profit-generating activities.

2.3 Theoretical framework

According to Woller (2012), a theoretical framework is intended to direct research objectives by offering a schematic explanation between and among variables. The Grameen model in Napal, w hich is detailed in greater detail below, guides this research.

2.3.1 Grameen Model in Napal

The Central Bank of Nepal is in charge of microfinance development banks, which are governed by the Bank and Financial Institution Act, while monetary intermediary NGOs are governed by the Society Registration Act and the Financial Intermediary Act. Each of them has its own set of requirements that must be met. Microfinance foundations in Nepal are playing a critical role in delivering financial services to Nepal's socially excluded population. Because of the density of the population, easy access to markets, and the availability of critical infrastructure, the bulk of microfinance institutions operate in the tarai district. However, there is no easy way for the impoverished to get into a microfinance program. Working in a microfinance program in the slope district is prohibitively expensive. When MFIs create a branch in the Terai, it becomes profitable after two years of operation, whereas in the slope region, it takes four to five years. The government should assist the microfinance sector by devising better strategies and establishing a national framework.

Related to the cost, the high overhead expense of Nepalese MFIs is a big problem. When an MFI opens a new branch, it incurs several costs for the client, including aggregate construction costs, preparation and mindfulness costs, higher loan fees for the shop, and other costs associated with extra help programs. In terai, it takes at least 1 to 2 years for the branch to recover back its initial investment, while in slope territories, it takes roughly 4-5 years. In the fiscal year 2004/05, 31 Rural Microfinance Development Center [RMDC] accomplice associations had a total money connected and operating costs percentage of 20.40 percent as compared to normal gross extraordinary credit. The Money Related Expenses Ratio is 6.72 percent, the Loan Loss Arrangements Ratio is 2.32 percent, the Staff Expansions Ratio is 7.26 percent, and the Other Administrative Expenses Ratio is 4.09 percent. In fiscal year 2005, the eastern and western banks earned a return on resources of 2% and 1%, respectively, while the other three banks had a negative profit for resources of 7%. In any event, the private division bank's profit for resources was 3.2 percent, which was normal.

2.3.2 The benefits of the fully-fledged Microfinance industry

(2018, Moyo) Besides that, one of the main reasons why microfinance has been gaining traction among academics and the general public is the rising acknowledgment of the significant economic and social benefits it provides. MFIs support to economic growth by helping to maintain a healthy balance of payments and commerce. In most cases, social entrepreneurship results in poverty elimination and improved living standards for the poor. MFIs are thus a crucial answer for raising living standards while maintaining social and political stability in a country (Mukama, 2015).

According to Robert et al. (2004), they create jobs with relatively modest investment per job created. Currently, unemployment is a major issue in Zimbabwe, according to Woller (2012). Every year, about 700,000 people join the work force, according to estimates. Approximately 500,000 of these are school leavers and those on industrial attachment who have minimal marketable skills and are unable to market MFIs. Only roughly 40,000 of the new entrants into our market are hired by the public sector, leaving about 660,000 to join the unemployed or underemployed reserve, according to Robert et al (2004). The majority of these people end up working in microfinance, particularly in the informal sector.

First, microfinance is defined as the provision of financial services or goods to low-income citizens and patrons. Microfinance's focus on poverty reduction has given way to a market-oriented system centered on microfinance as a viable business model, according to (Ledgerwood, 2009). This might have a good impact, ensuring that the world's poorest people benefit from more innovations, delivered more effectively. As a result, the underprivileged can maintain their living conditions. Similarly, most banks do not consider the underprivileged to be fair consumers because of their business history, erratic credit, and lack of financial security. Microfinance institutions routinely turn down such requests by making small advances at flexible rates (Baxter, 2010),

Microfinance, according to Alemayehu (2010), is the provision of financial services to low-income clients or collective lending groups, such as consumers and the self-employed, who have traditionally lacked access to banking and related services. According to Woller (2012), MFIs' key clients are those who encounter significant impediments to accessing financial products from traditional financial institutions. High operational expenses and hazard factors are the most common roadblocks. According to (Kurmur, 2011), the word micro finance refers to the provision of a wide range of financial services to the poor, including savings, insurance, money transfers, and credit. However, the microfinance movement has largely favored microcredit to date.

Poor people, according to (Sekaran, 2010), may adopt viable company strategies, but they lack the financial resources to cover the startup expenditures. These loans provide clients with enough funds to get their business ideas off the ground and start making money. They can repay their loans on schedule and continue to profit from the firm permanently (Kurmur, 2011). Microfinance institutions can provide low-income earners with adequate capital stability to protect them from unexpected monetary crises. Savings can also be used to improve nutrition, reduce sickness, improve living circumstances, and invest in education (Steinwand, 2010)

Women are likewise empowered by microcredit institutions because they are the primary recipients. Women were previously unable to participate in economic activity. Microfinance institutions now offer women the funds they need to launch a business. This, according to (Steinwand, 2010), provides them more confidence and empowers them to participate in decision-making, promoting gender equality. According to the findings (Baxter, 2010), managerial performance and abilities are clearly linked to financial performance. Each of the four characteristics, which include leadership talents, technical abilities, organizational abilities, and communication abilities, improves MFI performance. (Ayayi, 2008), Morduch (2015) supports Hudson (2016) and goes on to say that management is a key factor in fostering MFI growth, and that bad management skills lead to poor microfinance development.

2.3.4 An evaluation of Microfinance, the positive impact and criticism

According to ZNMP, there has been a growing awareness around the world in recent years that microfinance serves a significant role in economic development and poverty eradication in emerging economies like Zimbabwe (2008). The function of the microfinance sector in the Zimbabwean economy, among other things, is explained here.

Source; benefits of micro finance, commercialization for GO

2.3.5 Poverty alleviation

According to Mbeki (2009), the basic goal of MFIs is to alleviate poverty. Poverty alleviation, according to Wright (2001), is the process of transferring households from an insecure 'below poverty line' status to a stable 'over poverty line' situation. Similarly, it can be described as a process that focuses on strengthening poor people's capacities and choices while also reducing their vulnerability (Heyzer, 2000). Microfinance, according to Ojo (2009), provides low-income persons with financial and non-financial services in order to launch an income-generating activity. Furthermore, according to a study conducted by Morduch (2002), statistics have demonstrated that poor individuals who have access to microfinance services have been able to better their lifestyles since the birth of MFIs. According to James et al (2011), there is a significant difference between individuals who use MFIs and those who do not. They came to the conclusion that MFIs are a viable tool for providing credit to the poor and a powerful method for poverty reduction. These findings corroborated those of Assefa et al (2010), who stated that MFIs are frequently praised for overcoming information asymmetry and offering loans without collateral. In their study titled the role of microfinance banks in poverty alleviation in Tanzania,' Provident and Zacharia (2008) discovered that the majority of people on welfare do not have direct exposure to microfinance loans because they lack creditors, assets, businesses, salaried occupation, bank savings accounts, and the ability to make pre-loan weekly deposits on Special Savings Accounts, all of which are required as collaterals. Furthermore, a study conducted by Muhammad (2010), titled "Focus on the Threats and Trends Facing the Microfinance Sector in Kenya," indicated that the microfinance sector has various 11 challenges, including incorrect rules, intense competition, profitability, and stability.

2.3.6 Economic and Women Empowerment

According to Muhammad (2010), the microfinance sector offers numerous benefits, including economic growth stimulation and women empowerment. Microfinance benefits the poor who are economically productive, and it is often viewed as a critical instrument for women's empowerment and improving livelihoods (FAO, 2002). Economic empowerment is defined by the World Bank (2002) as "the increase of impoverished people's assets and ability to participate in, cooperate with, influence, regulate, and hold responsible organizations that impact their lives. According to the United Nations Community Development Fund (UNCDF) (2004), microfinance serves three important functions, one of which is to assist women in gaining economic empowerment and therefore fostering gender equality. In his study ‘microfinance and poverty alleviation,' Irobi (2008) added that microfinance intervention has a somewhat positive influence on poverty reduction among women of this association. Impressively, after receiving the loans, the majority of the women in this group were said to have increased their income and, as a result, improved their economic and political standing. According to Mayoux (20001), microfinance encourages more women to become employers and changes the household as a whole, so contributing significantly to gender equity. Binus (2000) went on to say that microfinance provided chances for women by allowing them to work in paid jobs in communities where there were few. According to Coleman (2002), microfinance has culminated in more women being involved in business, allowing them to have access to higher education, appropriate health care, and adequate food.

2.3 7 Promotion of social and community development

MFIs assist people in engaging more productive commercial activities, resulting in reduced crime and other social problems such as human trafficking, prostitution, and drug misuse (ZNMP, 2008). Microfinance, according to the ZNMP (2008), plays a critical role in social through providers such as NGOs, which usually enable intermediation mentoring in technical skills, financial management, and innovation, as well as providing health education to their clients, particularly with regard to HIV or AIDS consciousness.

2.3.8 Financial Inclusion

Financial inclusion can be defined as all 'bankable' people and businesses having access to credit, savings, and payment systems, as well as all insurable people and businesses having access to insurance (ZNMP, 2008). Microfinance allows impoverished people and low-income families to gain access to financial services that help them start their own microbusinesses, manage risks, and progressively build their assets. The Zimbabwe Monetary Policy for 2014 advocated emphasizing that microfinance supports financial inclusion by providing loans, hence creating jobs and allowing marginalized groups access to financial services.

2.3.9 Criticisms of microfinance

Despite its good impact on the disadvantaged and the economy, microfinance has flaws of its own. It has been panned by a lot of authors. Versluysen (1999) argued that microfinance is not universal in application since the services provided by MFIs are not accessible to all groups of individuals. People with physical or mental disabilities, the sick, the very young, and the elderly are unable to use the services provided by these MFIs. Microfinance providers also target the economically active population group because they are the most likely to take advantage of the services offered and repay the loans. Rahman (1999), MFIs do not examine rural locales without access to the market or infrastructure, areas with scattered populations, or towns that rely on a single business activity, he added.

2.3.10 Nature of Microfinance services

MFIs are only allowed to make loans to their target market, which might be groups or people, according to a report published by RBZ (2012) titled "operations of MFIs in Zimbabwe." They are permitted to lend wealth in the form of personal loans (to individuals) or business loans (to SMEs) in the form of contract finance, order loans, and group lending, but they are not permitted to accept deposits. MFIs can also provide additional support services such as capital management training, bookkeeping, and general business counseling to help clients improve their ability to repay borrowed cash.

2.3.11 Providers of microfinance

Microfinance providers, according to Sabin (2016), range from informal to formal. However, according to the World Bank (2007), microfinance service providers are divided into three categories: formal, informal, and semi-formal. It went on to say that formal microfinance providers are those that are governed by the country's banking rules, provide traditional retail services to clients, and engage in financial intermediation. Official microfinance providers, according to Sabin (2016), include registered private lenders, banks, and other government institutions. According to Ball (2012), formal financial service providers review the achievements they have seen, particularly the lesser interest rates on loans, banks have developed a strong interest in microfinance. They have shown that microfinance can be rewarding.

After investigations revealed the formal financial sector's inability to help the poor, the Consultative Group to Assist the Poor (CGAP) (1998) considered commercial banks as "new actors in the microfinance realm." As a result of banks' participation into the microfinance business, competition has emerged, which Hermes et al (2009) claim has a good impact on MFI efficiency.

Informal providers, according to the World Bank (2007), include accumulating savings and credit associations (ASCrAs), money lenders, pawnbrokers, rotating savings and credit associations (RoSCAs), deposit takers, and dealers. Rutherford (1999) discovered that informal operators keep only a few temporal records and do not always operate outside of offices. According to Yunus (2007), informal lenders include those who are not regulated by the government, such as lending institutions, collective savings, and clubs, among others.

The establishment of MFIs confounded the previously existing provider classifications of 'informal' and 'formal,' resulting in the emergence of ‘semi-formal' microfinance providers (World Bank, 2007). According to Mix (2005), one of MFIs' main responsibilities is to provide financial assistance to the needy. Mersland (2009) and Hartarska et al (2012) believe that MFIs generally lend money, despite the fact that they provide similar products or services to traditional financial institutions. Microfinance practitioners include some microfinance banks, commercial banks, MFIs, building societies, and Savings and Cooperatives, all of which are classified by the World Bank (ZNMP, 2008)

2.3.12 Users of microfinance

Street vendors, traders, local farmers and service providers (such as hairdressers), artisans and local producers belonging to the economically disadvantaged population who are self-employed, and low-income entrepreneurs in both cities and suburbs are all typical users of microfinance services, according to Ledgerwood (1999). According to Assefa, et al (2010), these types of people are often viewed as impoverished, and so require microfinance. To be more explicit about who utilizes microfinance, the CGAP (2003) defined the poor as those who live below the poverty datum line, starting with the destitute and progressing through the severe poor and moderate poor. The vulnerable non-poor and the other non-poor were defined as those who were above the poverty level. Guntz (2011) discovered that the majority of microfinance clients fall into the moderate poor and vulnerable non-poor categories, i.e., those who live extremely near to the poverty threshold.

According to Khan and Rahaman (2007), microfinance arose from the recognition that micro-entrepreneurs and other poorer clients can be 'bankable,' meaning they can payback both the principal and interest charged on time and save if financial services are correctly suited to their requirements. Those who are destitute and extremely impoverished are more likely to benefit from the social safety net provided by international donors via NGOs and other community-based organizations (CGAP, 2003). Extreme poverty, according to the World Bank, is defined as living on less than US0.75c per day.

2.4 Empirical evidence

2.4.1 Nature of services provided by MFIs

On the basis of a case study of the Foundation for International Community Assistance (FINCA) microfinance institution, Kyeyune (2007) performed a study in Uganda on the contribution of MFIs to the economic activities of women and youth in Lowero District. One of the goals of his research was to look into the kind of services that MFIs provide to rural kids and women. He gathered data from several groups of people, including FINCA clients, management personnel, and non-beneficiaries, from a population of 400 persons, using both primary and secondary sources. Loans, insurance, and money transfers were among the services offered by the FINCA microfinance institution, according to the report. He also asked participants to rank the services on a scale of one to five in order of significance, with number one being the most important.

The results revealed that small business loans, education, and housing were placed one through three, respectively, while money transfers and insurance were ranked four and five. The majority of clients obtained loans for one of two reasons: to start a new business or to expand an existing one, which is one of the fundamental pillars for providing a loan.

2.4.2 Challenges that are being faced by MIFs due to the COVID 19 pandemic

The problems that MFIs face during this pandemic are due to their clients and employees, not their systems. Lack of cash, scarcity of clients, staff incentives, and lack of skill development during lockdown are four specific variables that have been recognized as important repercussions of the epidemic that often impede MFI expansion and performance. Due to a lack of money for lending to clients, loans are alleged to be handled in a queue, with fraud, corruption, and favoritism in loan allocations, preventing MFIs from expanding their services. The conclusion is that if the COVID 19 pandemic restrictions are removed, the microfinance sector will be able to grow faster than it has in the past, especially given the dismal performance during the lockdown.

ADA and in pulse collaborated with the Foundation in May 2020 to expand the study's scope to more than 100 MFIs across four continents: Africa, South America, Asia, and Europe. GCA receives monthly information on its partners' financial and non-financial performance as part of their monitoring of their activities. Since the initial questionnaire in March 2020, six waves of surveys have been undertaken to supplement these normative features. The findings have been shared with a wide range of stakeholders in the sector, including international development organizations, peers, specialized information platforms, and the general public, as knowledge sharing is critical in these unpredictable times. These findings demonstrated the sector's strong resilience and the adaptation of microfinance institutions, which were critical in mitigating the impact of the crisis on their clients while continuing to fund local economies.

2.4.3 Government COVID restrictions influence on microfinance

The constraints and prospects of Zimbabwe's microfinance sector revealed that the government placed a high value on MFIs, despite the fact that various protocols were in place that harmed MFIs' ability to provide financial services. This illustrated some external forces, one being the government's due relevance on microfinance, which was regarded to be very crucial in the country’s economic growth, and deduced that the laws have not been very supportive of the microfinance sector, and also that microfinance development in Zimbabwe signifies that there is still a gap between demand and supply of microfinance.

2.4.4 Loan-performing of MFIs during the COVID 19 pandemic

The research findings had a detrimental impact on the organization's financial performance by lowering operating profits and jeopardizing liquidity and loanable funds. The primary causes of NPLs in the organization were identified as insufficient loan monitoring, company failure, and insufficient marketing outlets. He went on to say that interest money earned from loans is critical since it contributes greatly to MFI profitability. However, if the loans default, it has a significant negative impact on the health and sustainability of MFIs.

2.4.5 Impact of Microfinance

Opportunity International (2019) conducted a study in Ghana on the significance of MFIs in women's empowerment. Information was gathered through interviews from a group of women who were MFI clients as well as their husbands. The women were chosen based on their length of participation in the program and the degree of change they were observed to have undergone.

These women became a part of the course for two to six years when they were asked about the improvements in their businesses, homes, private lives, and communities. Husbands were also polled about their thoughts on the program and the improvements they'd noticed since their wives enrolled. According to the findings, all of the clients experienced some level of transformation, and the women agreed that the programs had a significant impact on the positive changes in their life. The ladies admitted, however, that it was a process rather than a one-time event, and that sustained access to credit would lead to empowerment. The husbands of the clients endorsed the microfinance programs and stated that they had seen a favorable impact in their homes. Similarly, Wrenn (2020) performed research on the impact of microfinance on the livelihood security of

Trocaire's three programs' consumers. The projects were shown to have a favorable impact on many of their clients. With exception of Opportunity International, which used solely interviews as a source of data, this study was wide since it employed a number of primary data sources such as questionnaires, focus group discussions, and interviews. Analyzing Trocaire papers on each of the three partners, as well as operational manuals and evaluations created by the three organizations, were used as secondary data. The study concentrated on the impact of the initiatives on the customers' five capital assets: human, financial, natural, and social assets, as well as the influence on community livelihood security. Financially, a savings lifestyle was embedded in clients because the projects required that clients save for a period prior to receiving loans, and many saved in order to access larger loans in the future, resulting in a greater influence on the clients' livelihood security and cushioning them from possible threats.

According to the findings, the programs contributed to human and social assets by providing customer training before getting a loan. They assisted clients in planning and managing their finances, as well as increasing their revenues to pay for school fees and improve household nutrition. Furthermore, these projects were determined to be helpful since they brought goods and services closer to the rural community, resulting in job creation and a market for local producers. Furthermore, James et al. (2019) studied the influence of microfinance on alleviating poverty in Tanzania. The study was place in a variety of locations around Dar es Salam, ranging from highly inhabited slums and small-scale industries to rural/peri-urban villages with vegetable gardens and banana plantations.

In-depth interviews, group discussions, and a participatory fast approach were used as main materials for the study. Over the course of four weeks, a total of 447 people were involved in various data collection exercises. Microfinance emerged as a significant employment producer, according to the findings of the study. MFI loans were mainly used by the youthful and economically active population who had some type of regular self-employment or small companies, which were the most important source of employment, accounting for 60-65 percent of the national labor force 22. Clients confirmed that microfinance credit enabled them to purchase more valuable assets throughout the interviews, which were done in their homes. The ability to satisfy basic necessities, a high number of dependents, the ability to send some, if not all, of their children to low-status schools, and the ability to pay medical costs were among the changes noted in clients' families. Microfinance plays a critical role in poverty alleviation, according to this study.

2.4.6 Justification of the study

The examination of the obstacles experienced by MFIs during the COVID 19 epidemic is critical since these challenges manifest themselves differently in different economic environments around the world. Mukama et al. (2019) focused their early research on the variables that stifle the microfinance sector's expansion. On the other hand, Mutambanadzo et al. (2020) examined the issues faced by MFIs in regard to restricted working conditions, leaving a vacuum for this study, which spans the country's time of economic instability. These studies have been conducted in other areas of the world with different samples and in different economic situations, prompting the researcher to attempt to bridge the gap by examining contemporary difficulties using a case study of Harare with a diverse sample of participants.

2.5 Chapter Summary

The related literature on the issue of microfinance has been reviewed in this chapter. It began with a discussion of the conceptual underpinning of microfinance before moving on to local and international empirical studies on the subject. The approach employed in this study is described in the following chapter.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains how the research was carried out in an organized manner to meet the study objectives. It goes into the research design, sample, sampling methodology, data sources, research instruments, and finally the data presentation and analysis procedures employed in the study. Questionnaires, interviews, and observations were used to obtain quantitative and qualitative data for the study, which was both quantitative and qualitative.

3.1 Research Design

The research design is a precise plan for collecting and analyzing data for the study (Churchill and Iacobacci, 2005). A study design's purpose is to aid in the discovery of unambiguous answers to a significant challenge (Oppenheim, 1996). The architecture supports the collection of data, which indicates what is happening over time in determining what COVID 19 has done to microfinance operations. This method can also be used to look at the relationships between the causes and the outcome. The author employed a descriptive research strategy.

3.1.1. Descriptive Research

The objectives of descriptive research the purpose of descriptive research is to characterize a phenomena and its features. Because descriptive research is more interested with what happened rather than how and why it happened, there are three methods for gathering data in exploratory study: survey, observation (field observation, laboratory, and direct observations), and case study (Gall, Gall, & Borg, 2007). Data is collected informally in such studies, but it is frequently examined quantitatively, with frequencies, percentages, averages, and other statistical analysis used to discover relationships. Descriptive research was useful for this study since it addressed concerns such as comparing and contrasting, measuring, assessing, analyzing, and classifying. A case study investigates the impact of COVID 19 on the supply of financial services by financial institutions by microfinance institutions was also conducted using this design.

A descriptive survey research design was adopted for this study, which examines the phenomena with extreme detail. It answers the study's what, who, where, when, how, and why questions. The conditions and relationships that exist, the attitudes that are expressed, the processes that are occurring, and the causes and effects that are visible are all addressed in this research design. This research study was chosen by the researcher since it was inexpensive and required no special expertise. It also made it easier to collect original information and allowed for a larger population coverage, allowing the researcher to conduct a more complete study and obtain more robust information.

3.1.2 Research Paradigm

Mixed research, which includes both quantitative and qualitative research methodologies, approaches, and other framework characteristics, was employed in this case, and it could be referred to as comment. Mixed methods research is defined as "study in which the researcher uses both qualitative and quantitative approaches in a single study to gather and analyze data, integrate findings, and draw implications. (Source: Creswell, 2012). It's critical to conduct mixed research in order to avoid influencing or biasing what you're seeing, as well as to grasp the insiders' interpretations and perspectives. Because the researcher is investigating the impact of COVID 19 on financial institution provision of services, in the issue of micro finance, it may be critical to collect quantitative data by asking individual clients and micro, small, and medium-sized enterprises (MSMEs) to complete out standardized questionnaires that assess their personality and demographic traits. In short, combining approaches would provide extremely useful and complimentary data.

3.2Research Subjects

According to Saunders (2003), research subjects are made up of the study population, or the individuals or items being studied. A research subject is a person who takes part in research; for this reason, research subjects are also known as human subjects or research participants. Furthermore, the questionnaires and emails may be sent to a variety of finance staff employees, as well as individuals and businesses.

3.2.1 Target Population

The research population, according to Ngechu (2004), is a well-defined or characterized collection of persons, individuals, homes, firms, services, components, or events that are being examined. Likewise, the totality of all aspects under investigative process can be described as the target population (Chimedza et al, 2001). Best and Khan (2003) and Sproul (2001) stated that it is a group of people who share one or more qualities that the researcher is interested in. These can take the form of people or nonhuman entities like projects, artifacts, or events. The researcher focused on the sixty-eight licensed MFIs in Harare's Central Business District to ensure the research's efficiency (CBD). Executive officials, accountants, pertinent general staff, and MFI walk-in customers were the major informants.

3.2.2 Sample

A study sample, according to Leedy (1997), is a tiny fraction of the population chosen for observation and analysis. Wegner (1999) defended the use of samples in data collection by stating that it is not always feasible to obtain data on every observation of the population. As a result, samples are regarded as crucial in the data collection process. Mason (1996) established that in order to produce quality data, the sample must represent all population units at the same time, allowing for reliable data collection and ensuring that all population units have an equal chance of being included. A total of twenty-eight MFIs were used in the study, accounting for mildly more than 40% of the study population. Cohen and Manion (1999) proposed that 30% is the minimum number that should be used in cases where researchers intend to use statistical tests. The researcher had the opportunity to interviews or administer questionnaires to at least two people at each of the twenty-eight MFIs. Twenty-eight respondents were given questionnaires, and thirty people from the selected MFIs were arranged for interviews. The researcher chose to conduct the study with a sample since it made it easier to handle the research and control the costs and time invested in it.

3.2.3 Sampling Technique

The MFIs where the survey was undertaken were chosen using the probability sample technique of systematic random sampling. Jewel (2000) defined this sampling strategy as "thus built that every member of a population has an opportunity or known probability of selection." The researcher systematically selected the sample of twenty-eight MFIs by first alphabetizing the names of the sixty-eight MFIs in the population and assigning numbers to each of the institutions in that order. The testing ratio (total population divided by sample size) was then calculated, and it was found to be two. Every second member of a population was selected randomly for sampling, with an eighth position as the beginning point. The researcher benefited from this systematic sampling strategy since it eliminated the chance of error and bias in picking a sample because it was chosen at random. As a result, the researcher has collected more trustworthy data from a sample that was more typical of the community, lowering sample risk

3.2.4 Sample size

Twenty-eight MFIs were chosen using a systematic random sample method to reflect the study's entire population. The researcher acquired information from a total of 28 respondents from the sample, toward whom interviews and questionnaires were provided and performed, respectively.

3.3 Data collection Methods

The data gathering methods were chosen after careful analysis of cost efficiency, sample size and data requirements, audience location and availability, and data gathering speed. Data for this study was gathered from two sources: active and passive, which is primary and secondary data.

3.3.1 Primary data

Primary data, according to Shajahan (2005), is information gathered for the purposes of the present study at hand. Questionnaires, interviews, and observations were used to gather data from the field for this study. The researcher gained first-hand information that is current, reliable, and sound for conclusions and recommendations on the challenges faced by MFIs during the COVID 19 pandemic in Harare using primary data collection. The researcher saw certain advantages in acquiring primary data. However, since it required direct interaction with respondents via phone, email, or even in person, it had some limitations, such as being expensive and time consuming. As a result, the researcher decided to keep the scope to a tolerable size.

3.3.2 Secondary Data

To supplement the primary data gathered, the researcher additionally used secondary data that was readily available in the past, was acceptable, and could be used for organizational decision-making

(Gravetter and Forzano, 2009). Journals, websites, monthly publications, scholarly pieces, and newspapers were used to gather secondary data. The researcher benefited from the usage of this type of data because it was less expensive to obtain in terms of both time and money. It also allowed the researcher to acquire high-quality data that would not have been available if the data had been collected in its original form, as noted by Saunders et al (2007).

3.4 Research Instruments

A research instrument is a tool for gathering, measuring, and analyzing data about your topic. They can be exams, surveys, scales, questionnaires, or even checklists that are used to collect data in order to solve the problems being investigated (Babie, 1985). Questionnaires, interviews, and observations were used as research instruments for this study. Questionnaires had questions that gave respondents the opportunity to express their opinions independently and in a free-flowing manner.

3.4.1 Questionnaires

A questionnaire, according to Saunders et al. (2007), is a set of questions that has been carefully formulated, constructed, and sequenced in order to obtain the most useful data in the most efficient way possible. In MFIs in the Harare CBD, questionnaires were given by hand to management and other staff. To collect as much data as possible, the researcher constructed the questionnaire as an open-ended and closed-ended question. The closed questions included both multiple choice (providing for a number of options) and open ended questions, which allowed respondents to give unique additional information.

Justification for using questionnaires

The researcher opted to use questionnaires since they may reach a big number of respondents at a lesser cost and they are less time consuming to the researcher. Furthermore, surveys minimized interruption for respondents because they were given questions to complete at their leisure. However, questionnaires were vulnerable to delays since some respondents just placed the questionnaire aside while the researcher waited for responses, resulting in a large number of follow-ups on the respondents. Furthermore, questionnaires have the drawback of not being able to obtain additional clarifications from respondents. Respondents may also be restricted to thinking within specified parameters.

Questionnaires also necessitated an excessive number of journeys to collect them on the dates that the respondents preferred. To compensate for these flaws, the researcher established arrangements with respondents for the completed surveys to be collected or received by email. Questionnaires and interviews were used in tandem, complementing each other's efforts.

3.4.2 Interviews

. To obtain some more information from the respondents, the researcher conducted personal interviews utilizing an interview guide as a source document for the questions and an input form for the responses. Personal interviews, according to Cooper and Schindler (2003), entail communication between two people in which the interviewer initiates a two-way conversation in order to obtain 28 information from a participant by asking questions and taking notes of the interviews to be considered and evaluated later. Interviews were performed in places where the respondents and platforms allowed for them to be done.

Justification of interviews

The use of semi structured questions eliminates bias. Face-to-face interviews provided the advantage of providing the researcher with a clear, more accurate, and immediate assessment of the respondents' comprehension of the subject matter. Personal interviews also allowed the researcher to elicit richer and more intricate comments from respondents, as well as assess the level of honesty in their responses. However, since the researcher and the respondents had to be present at the same time, the interviews proved to be costly and time demanding to perform. Furthermore, some respondents were unable to participate on some of the scheduled dates due to scheduling conflicts, necessitating the cancellation and rescheduling of interview dates. The researcher was able to conduct more interviews than the questionnaires despite the challenges he faced.

3.4.3 Observations

Observations, according to most academics, are a neglected element of study. Observations, on the other hand, can be gratifying and enlightening to explore, according to Saunders (2009), because they contribute significantly to the richness of the research data. While waiting for an opportunity to conduct interviews or pretend to be a client, the researcher was able to perform some direct and participatory observations of the MFI's activities. Because some respondents were unavailable on the scheduled interview dates, forcing the researcher to postpone the interviews, the researcher was able to conduct observations over a longer period of time, enhancing the research's effectiveness.

Justification of Observations

Even though simply a description of occurrences was acquired rather than an explanation of the existing conditions in the MFIs, observations had the advantages of being inexpensive and providing first-hand knowledge, some of which the respondents were afraid to divulge.

3.5 Pilot Study

It is always necessary to pre-test a questionnaire in the field before distributing it to the final respondents, as it is not always possible to produce a faultless questionnaire on the first try. The quality of the questionnaire can then be improved based on the findings of the pilot study. The questionnaire was pre-tested with 5 respondents from KCI Microfinance in a pilot study, which allowed the researcher to amend and improve the questionnaire before it was officially administered. Three interviews with respondents were also done by the researcher, which revealed that some of the questions were unclear and needed to be rephrased.

3.6 Data Collection Procedures

Haggart (2002) defined data collecting processes as "steps or activities that describe the broad method data will be acquired." They are procedures for managing research instruments. Questionnaires were handed out in person, and interviews were conducted with executive directors, clerks, accountants, and loan administrators of MFIs where permission to conduct the study had been granted, with a very high response rate.

3.7 Data and Data Instruments Validity and Reliability

Standard measures of reliability and validity are used to examine the appropriateness of any research instrument and, as a result, the results. The use of questionnaires in this study allowed respondents more time to read the questionnaire, resulting in high-quality and reliable data. During the interviews, the researcher gave the respondents an interview guide well in advance of the interview date, allowing them to offer accurate data and ensuring the authenticity of the data they provided the dependability of the instruments was tested in this study by piloting them to see how various respondents responded to the same question. This was done to rule out any questions that were imprecise or ambiguous. The researcher also gave each subject an informed consent form that explained the study's objective and any dangers involved, as well as the fact that the volunteers would not be compensated. This form was used to reassure research subjects that the information gathered would be used purely for academic purposes, would be treated with absolute confidentiality, and that the participants' names would not be revealed in any way..

3.8 Data Presentation and Analysis

. The information gathered was processed and analyzed using SPSS software, a statistical package. The findings were summarized and presented using tables, bar graphs, and pie charts to show responses from the sample that would have been chosen to help identify challenges faced by MFIs in providing financial services during the COVID 19 pandemic.

3.9 Chapter Summary

The methodology used to collect the data needed to answer the research questions was discussed and justified in this chapter. It includes information on the study's research design, population, sampling, research instruments, data collection procedures, data presentation, and analysis techniques

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

It should be remembered that the goal of this study was to determine the effects of COVID 19 in the provision of financial services by the microfinance institutions in Zimbabwe. It also wanted to learn more about the microfinance industry's impact in Zimbabwe in brief. Based on the study objectives indicated above, this chapter focuses on qualitative questioning to produce findings through data presentation, analysis, and discussion. To give a theoretical framework, the previous chapter focused on the problem, literature review, and data collection methods. For relevant research results, primary data was collected via questionnaires and surveys. As a result, bar graphs and pie charts were employed to present the data in diagrammatic form, allowing for a clear measurement of the respondents' opinions and responses.

4.1 Response Rate

4.1.1 Questionnaire response rate

According to the research, the response rate refers to the number of questionnaires that were successfully completed for data analysis in comparison to the number of questionnaires issued to respondents. Leedy (2004) defined response rate as the proportion of subjects in a statistical study who responded to the researcher's question. The total number of questionnaires returned or completed divided by the number of eligible people who were contacted or asked to participate in the survey, according to Zikmund (2003). The tables below show the total number of surveys and interviews scheduled and administered, as well as the response rate as a percentage.

Table 4.1: Questionnaire Response Rate

Type of micro finance service provider	Questioners sent	Questioners returned	Response rate
MFIs	15	10	70%
Loan officers	7	5	80%
Micro finance bank	6	5	75%
Total	28	20	78%

The questionnaires are divided into three groups as shown in the table above. A total of 20 of the 28 questionnaires given were completed and returned, resulting in a 78 percent response rate. This is an awesome response, according to Jackson (2011), who claims that a response rate of 70% or above is very good when a survey is done via questionnaires. The high response rates were also stated to yield high-quality, precise, and meaningful data. Because of the nature and sensitivity of their company operations, money lenders had the greatest answer (86%) and microfinance banks received the lowest (60%). The researcher personally delivered the questionnaires to the respondents and followed up with phone calls. This resulted in a relatively high response rate.

4.1.2 Interview response rate

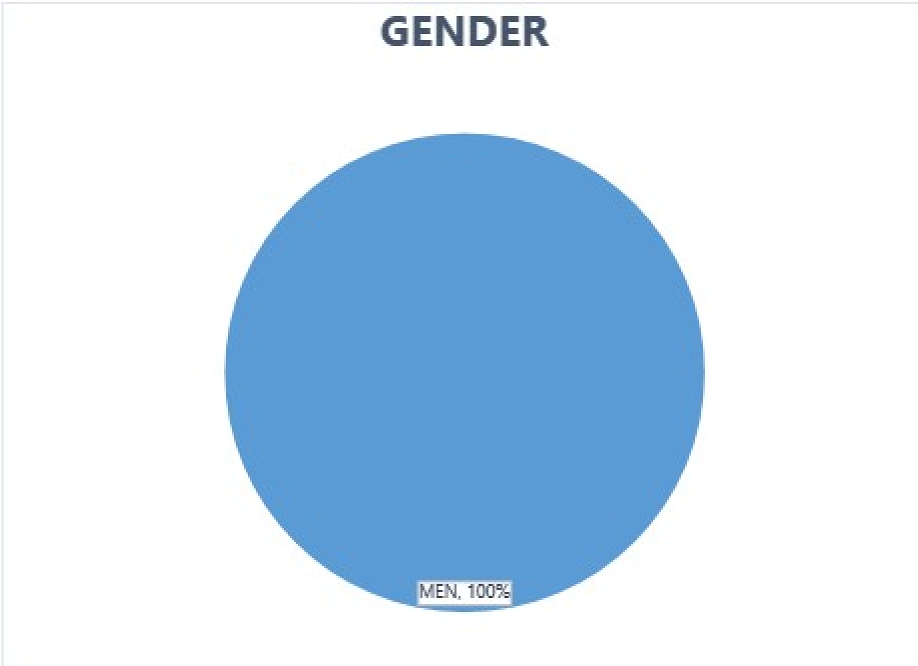
Table 4.2: Interview response rate

Type of micro finance service provider	targeted	achieved	Response rate
MFIs	15	10	65%
Loan officers	10	8	75%
Micro finance bank	5	2	80%
Total	30	20	75%

Interviews were incredibly successful at MFIs and lenders, as indicated above, with a success rate of 65% and 75% for MFIs and lenders, respectively, because respondents' schedules allowed them to arrange interviews due to a low level of activity. Because the executives, who are the only ones licensed to share information, were discovered to be busy, the researcher was only able to conduct two interview with Microfinance banks. When a survey is given face-to-face, the overall response rate is around 75%, which is within Jackson's recommended range of 80-85%.

4.2.1 Demographic information

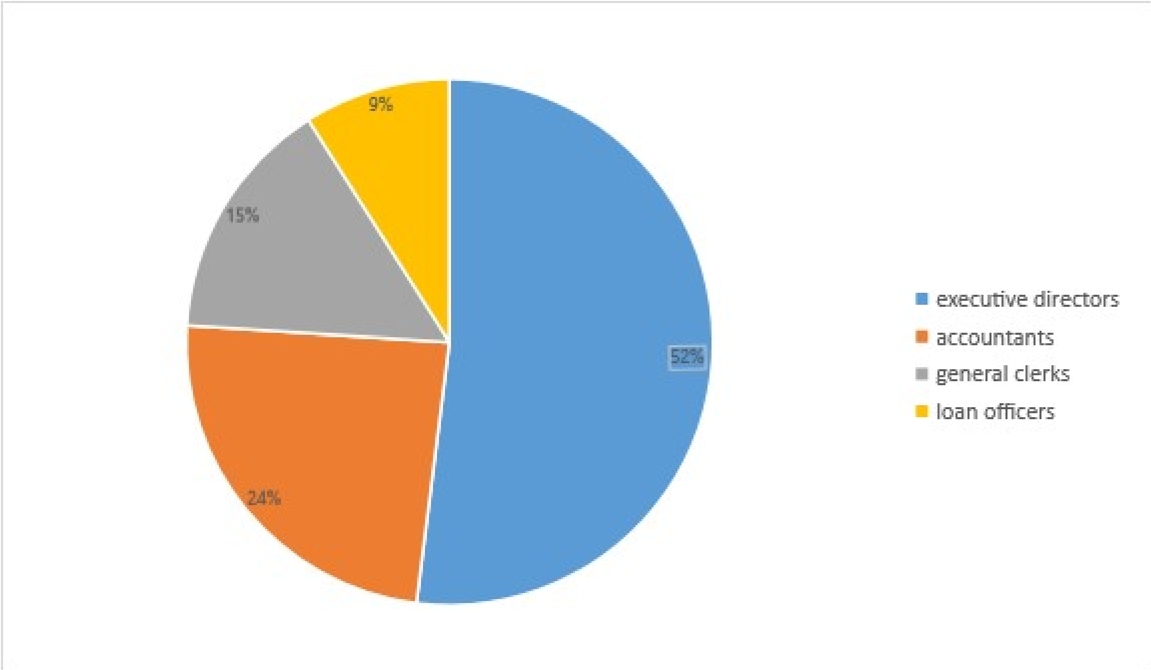
Fig 4.1: GENDER RESPONDENT



As indicated in the figure above, the respondents were approximately 28% women and 72% men.

4.2.2: Titles of respondents

FIG 4.2: TITLES OF THE RESPONDENTS



The titles of the respondents who took part in the study are depicted in the graph above.

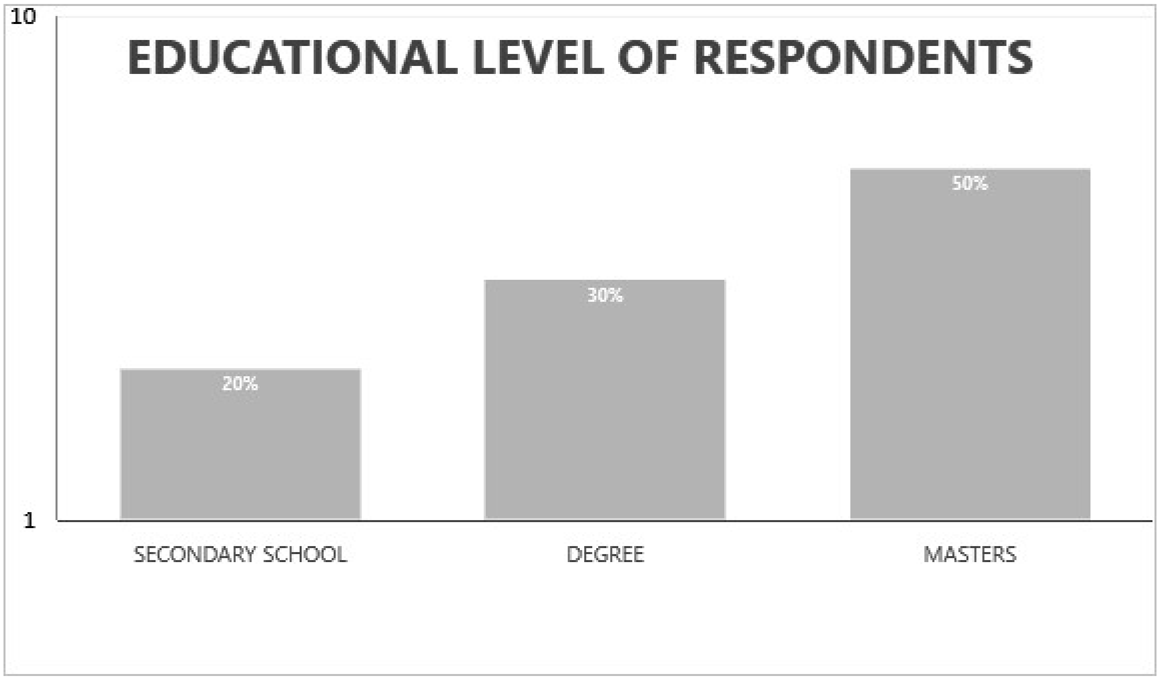
Executive directors accounted for 52% of those who responded.The researcher made certain that data was collected from the most appropriate informants who are well versed in the organization'sfunctioning. This was similar to a study done by Mutambanadzo et al (2013), in which the majorinformants were executive and senior managers, demonstrating the seriousnes s with which MFIs treat clients who stroll into their offices to borrow or inquire about their servi ces.

Other major informants included accountants and the general clerks, who accounted for 24% and 15% of the total respondents, respectively. They are also well-informed about how MFIs work, and they frequently engage with clients. Only 9% of the information came from loan officers who acted on behalf of managers when they were unavailable or unable to attend meetings. Due to their tiny size, these officers were found to be well-informed about microfinance organizations.

4.2.3 Educational level

According to the findings, 20% of the respondents had completed secondary school. The percentages for a bachelor's degree, master's degree were 30 percent and 50% respectively. It is obvious from the findings that individuals with master’s degree were the majority in the study. As a result, the majority of whom hold master’s degree, holds more skills than those who hold degrees.

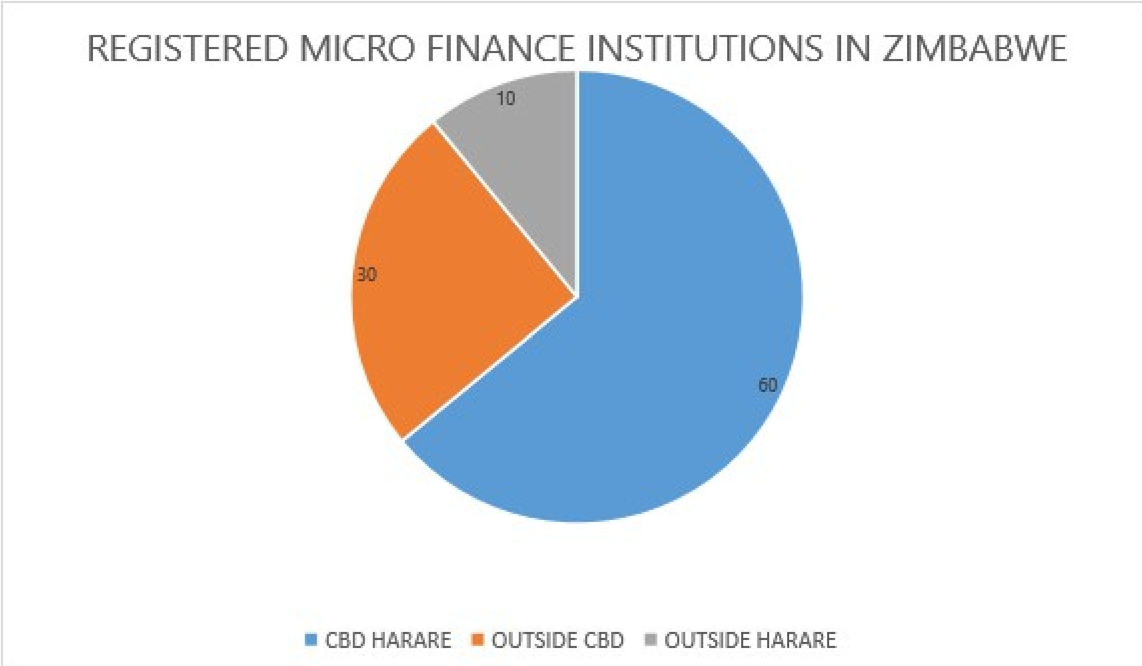
FIG4.3: THE EDUCATIONAL LEVELS OF THE RESPONDENTS



As a result, it can be stated that the majority of respondents are in their prime working years and have a reasonable amount of experience (assuming that an average Zimbabwean starts work at the age of 25 years).

4.3 Microfinance Institutions in Zimbabwe

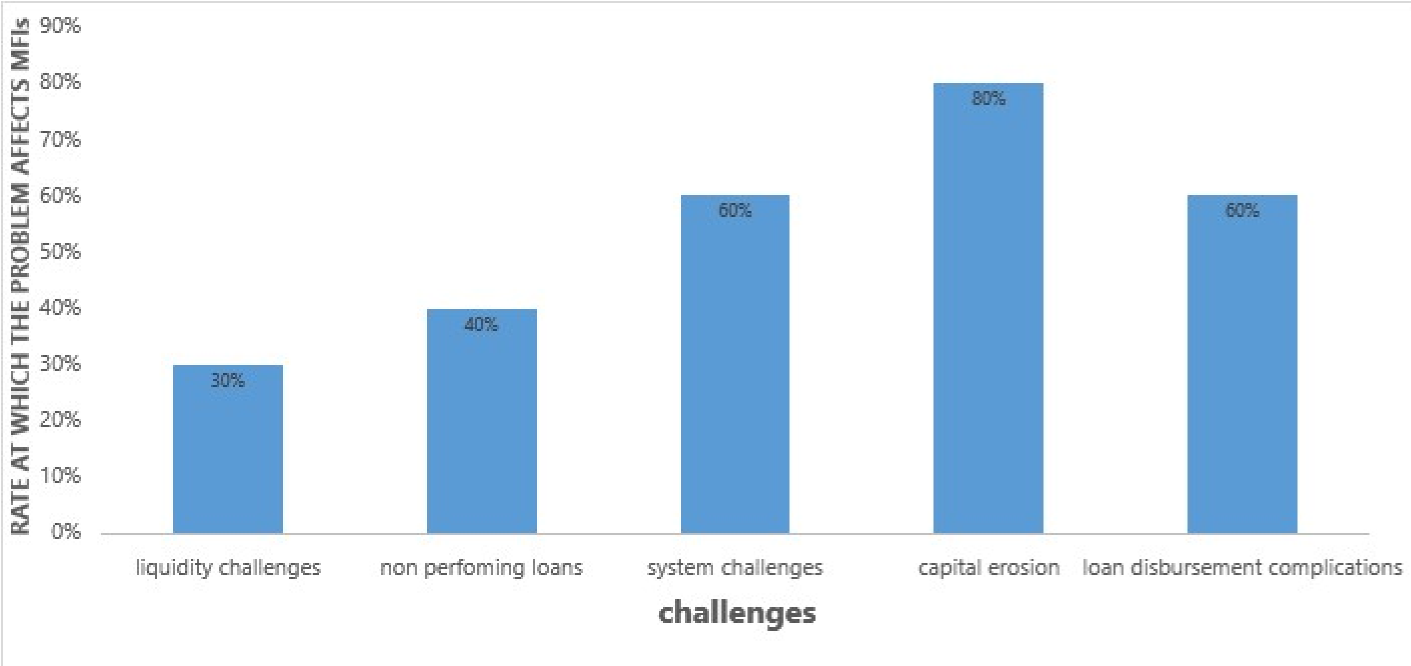
FIG 4.4: THE REGISTERED MICRO FINANCE INSTITUTIONS IN ZIMBABWE



According to the graph above, 90 percent of microfinance service providers in Zimbabwe have their headquarters in Harare. The remaining MFIs (10%) have headquarters in various cities like as Bulawayo, Marondera, and Masvingo. In Harare's CBD, about 80 percent of MFIs are located. This is a vital position since it is in the CBD that we have business centers, many job centers, and where the bulk of Zimbabwean citizens' economic and social requirements are satisfied, both in urban and rural areas. This allows MIFs in the CBD to reach out to a wider range of clientele from all over the country. This was in contrast to Rahman (1999), who said that MFIs avoided rural areas that lacked infrastructure and market access. The study was conducted in the CBD, and all of the data acquired was comprehensive, as the factors affecting microfinance operations before the COVID 19 pandemic sail through influencing people from all over the country.

4.4 Challenges facing microfinance organizations during the COVID 19 pandemic

FIG 4.5: CHALLENGES FACED BY MICRO FINANCE INSTITUTIONS



The figure above depicts five different sorts of issues that MFIs encountered during the COVID 19 pandemic in the provision of financial services, with each institution confronting at least four of them. The majority of MFIs (80percent) regarded capital erosion as the worst challenge. This was reported as a result of the inflation which led to the loss of value of our local currents. The respondents emphasized that whilst operating costs were rising on a daily basis, interest rates which are the costs of money were rising on a daily basis.

4.4.1 Liquidity challenges

According to the findings, 30 percent of the MFIs investigated were experiencing liquidity issues. MFIs' difficulty in obtaining loans from commercial banks, as well as non-performing loans, were cited by respondents as contributing to the liquidity problem. Non-performing loans have been described as having a detrimental impact on MFIs' financial performance by depleting loanable funds, diminishing operating profitability, and eroding lender confidence, putting the firm's liquidity situation at risk.

4.4.2 Challenge of non-performing loans

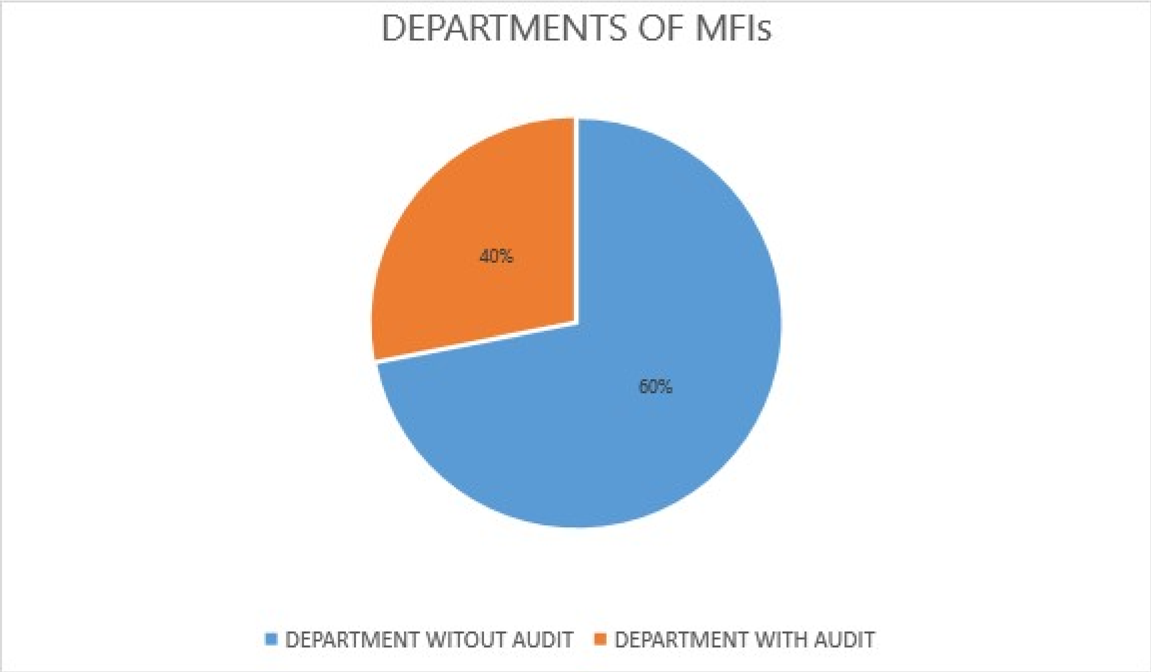
According to the findings of the study, 40 percent of MFIs are concerned about a high proportion of nonperforming loans, which occur when clients fail to pay their bills when they are due or fail to return the loans entirely. This was backed up by the ZAMFI chairman, who stated that non-performing loans account for 30 percent of MFI loan books on average (The Herald, 08 Sept 214). The majority of MFIs' locations also advertised the sale of assets belonging to loan defaulters, according to the researcher.

4.4.3 System challenges

From the research, 60 percent of MFIs face systemic issues. The majority of respondents emphasized the insufficiency of computers for capturing and storing business records data, citing the fact that in certain organizations, management is the only one who uses computers. The majority of MFIs were discovered to be employing systems built in other countries, which are extremely costly for MFIs to acquire and use due to their tiny size. Some respondents stated that they were using a system designed in other countries like Ghana, but the majority stated that they were recording transactions using excel spreadsheets and at times manuals.

4.5 The audit department

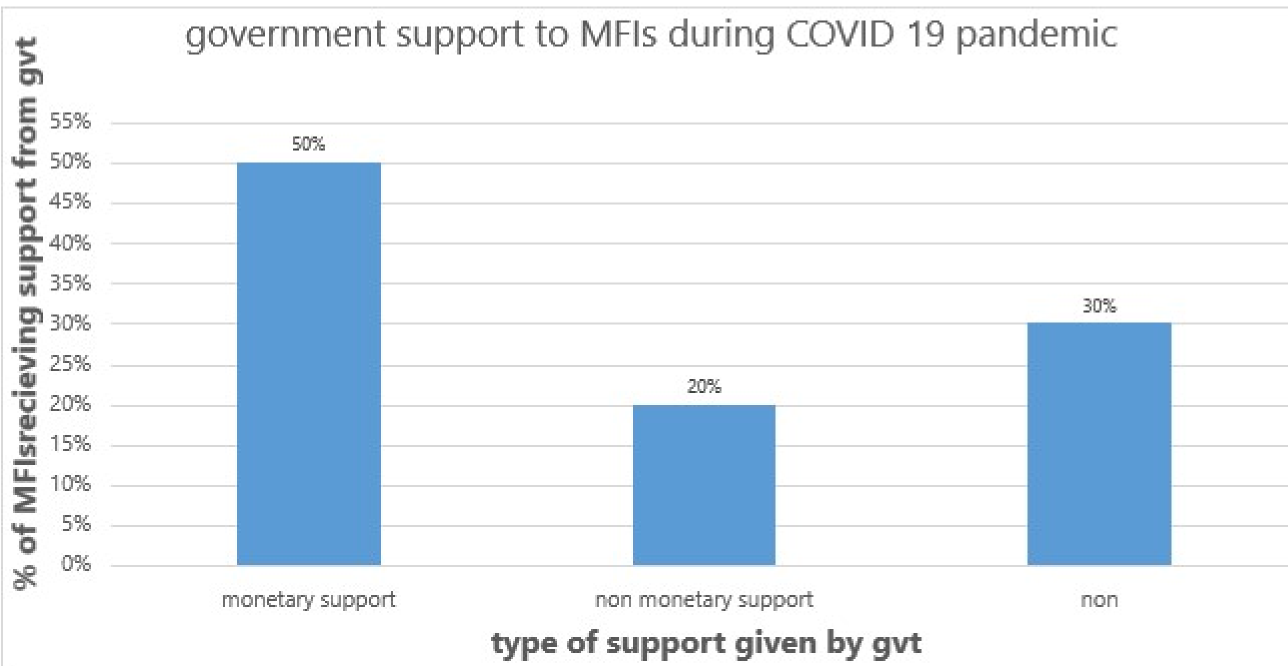
<u>FIG 4.6: THE AUDITS DEPARTMENTS</u>



The pie chart above depicts the number of audit departments in the MFIs that participated in the survey. According to the data, 60 percent of MFIs do not have audit departments, and those that do have audit employees are not properly trained to be auditors. An audit department is critical to any company since it serves as an independent check on all personnel. Because most MFIs do not have audit departments, there is no one to monitor for adherence to internal controls and audit for any fraud or irregularities that may occur. Those MFIs with audit departments complained about the recruitment of audit staff, claiming that it is based on personal relationships and that they act in the interests of top management rather than for the benefit of all stakeholders, resulting in a lack of transparency, accountability, and fairness. The majority of MFIs in this study do not conduct external body inspections, which may jeopardize efficiency and corporate governance.

4.7 Government support to MFI

FIG 4.7: GOVERNMENT SUPPORT TO MFIs DURING COVID 19 PANDEMIC



The bar graph above depicts the type of assistance that the government provides to MFIs. According to the study's findings, 30% of respondents believe that the government has never supported their microfinance activity. The majority of them said that the government was more supportive of borrowers than microfinance lenders, referring to the microfinance bill. This conclusion was in line that it is the government's role to protect the majority during the times of hardships such as the COVID 19 pandemic era from predatory monopoly money lenders by providing a favorable legal framework. The government was mentioned by the majority of respondents (80%) as being supportive of their microfinance efforts. Of the 80 percent, 60 percent stated that they were receiving non-financial assistance, which refuted Ball (2012)'s assertion that most MFIs in Africa are funded through grants by the government. The government's non-financial assistance is believed to take the form of workshops held by the RBZ to ensure compliance with regulations, as well as the processing and collection of monies from civil officials' accounts on a monthly basis by the government via the SSB. Only 20% of MFIs were believed to be receiving financial assistance from the government during the period.

4.7 Sources of funding for MFIs

TABLE 4.3: SOURCES OF FUNDING AVAILABLE FOR MFIs

Source of funds	Number of MFIs	Percentage
Personal funds	**20**	**71%**
Government grants	**0**	**0%**
Commercial funds	**4**	**15%**
Donor funds	**2**	**7%**
Loan funds	**2**	**7%**

The table above depicts the various capital and extra funding sources available to MFIs. The majority of MFIs were shown to have multiple sources of funding. According to the report, the majority of MFIs (71%) rely on personal (shareholder) funds as a key source of funding. This supported Mutambanadzo et al's (2013) findings that most MFIs rely on shareholders' (personal) finances, which are typically limited, to finance their companies. The study also found that none of the MFIs received government grants as a source of funding, contrary to Batra (2004)'s assertion that most African MFIs are either donor-funded or receive government funds.

Because they were having trouble getting loans from commercial banks, the respondents explained that shareholder loans were their main source of funding. This explains why just 14 percent of MFIs use commercial banks to obtain funds. Loan interests and other operational operations accounted for only 7% of the MFIs' funding.

4.8 The extent to which loan applications by clients are met during the COVID 19 pandemic.

TABLE 4.4: DO YOU MEET LOAN APPLICATIONS BY CLIENTS

RESPONSE	FREQUENCY
YES	**20**
NO	**40**
TOTAL	**60**

As seen in the table above, the majority of microfinance organizations in Harare during tis COVID 19 pandemic era, (73 percent) are not meeting their clients' loan requests. Respondents cited a variety of reasons, the most of which had to do with clients. Only 33% of MFIs always responded to client loan applications.

4.9 Reasons for turning down loan applications by clients

The survey discovered four reasons why MFIs reject customer loan applications, with 80percent of the reasons being related to the client. Lack of collateral security, creditworthiness, failure to submit requisite papers, and a lack of loanable cash were among them.

The majority of clients whose loan applications were denied were unable to provide collateral security because they lacked sufficient assets to attach in the event that they were unable to repay the loans and interest. Part clients forgot to present some or all of the essential papers, such as bank statements, business registrations, or pay slips, according to the replies.

Another explanation mentioned by the respondents was the MFIs' inability to provide loanable cash due to liquidity issues. This was in line with Mukama et al. (2005) results, which identified a lack of capital to lend as a constraint that caused MFIs to process loans in a queue.

4.13 Chapter Summary

The data acquired throughout the research was presented, analyzed, and discussed in this chapter. Pie charts, tables, and bar graphs were used to present and interpret the data. The chapter was crucial to the study since it connected the research findings to the empirical data discussed in previous chapters. The summary of research findings, conclusion, and recommendations for MFIs to effectively address the difficulties in the microfinance sector will be presented in the next chapter.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

After presenting and analyzing the data from the research on the impact of COVID 19 in MFIs in the provision of financial services in Harare, this chapter now provides a summary of the research findings, conclusions drawn from the research findings, and recommendations to MFIs on how to overcome these obstacles in order to maximize the business's benefit during this pandemic.

5.1 Summary of findings

The goal of the study was to identify the issues that microfinance institutions in Harare are facing during the COVID 19 pandemic, as well as the sources of those challenges. The approach employed was a descriptive survey with a sample of twenty-eight MFIs. The study was triggered by the collapse of a number of MFIs in Harare that were still in their infancy, and those that survived have stayed small and ingrowing. It was a difficult study to do since some of the respondents, who were managers and directors, were often reticent to share information, citing concerns about confidentiality and sensitivity. Furthermore, some of the employees had a tendency to conceal some of the critical information. The research revealed the following findings and observations in relation to research

Objectives;

- ❖ MFIs are facing a number of hurdles during the COVID era, including fierce competition, non-performing loans, liquidity issues, system concerns, and a lack of employee skills.
- ❖ Several MFIs had considerably fewer walk-in clients, several management leaders were missing, and only a few people made up the number of workers for the organizations.

- ❖ Several MFIs were continually shifting from the CBD to less expensive areas, signaling business difficulties. Because of issues connected to both clients and MFIs, the large percentage of MFIs were unable to meet credit application from potential clients.
- ❖ The survey found that most MFIs are currently relying on personal (shareholder) cash to fund its operations because they are unable to obtain funding from commercial banks and also the government does not provide financial assistance.
- ❖ The findings of the survey also revealed that government support for MFIs is quite limited. The major kind of assistance provided by the government to MFIs is technical assistance or loan processing through workshops organized by the central bank RBZ on a regular basis. Some MFIs were discovered to be receiving no government assistance at all, as well as the government was reported as being much more supportive of mortgage borrowers than entrepreneurs in developing countries. However, just a few MFIs stated that they had received financial assistance.

Despite these obstacles, the following discoveries and observations were obtained, and findings of this research:

5.2 Conclusions

- ❖ According to the survey, Zimbabwean microfinance organizations are encountering several issues that are negatively influencing the way they provide financial services, to the point where some MFIs are forced to close their doors. The main difficulty that most MFIs are currently facing is difficulty in loan disbursement, which narrows their clientele base.

- ❖ Based on the findings of the study, the researcher found that the country's current COVID situation with some business restrictions are the root cause of the majority of operational challenges faced by MFIs in Zimbabwe, since most of the challenges cited were related to the country's economic instability.

- The researcher finds that shareholder funds, which are a main source of funding for MFIs, are in short supply, forcing MFIs to face liquidity issues. Funds are critical to the viability of business operations.

- Finally, the researcher concluded that MFIs encounter difficulties as a result of the government's lack of support for their operational activities. The technical assistance they receive is not primarily in their favor, as it is intended to assure customer compliance and protection.

5.3.1 Recommendations to MFIs

- MFIs should increase their media marketing strategies and expand their services to all relevant parts of the country, including rural areas, in order to combat competition and take advantage of society's marginalized members. Similarly, MFIs should engage in some corporate social responsibility activities, which have the effect of changing public perceptions of microfinance, instilling trust, and promoting the entity.
- Because corporate governance has an impact on financial performance, MFIs must have good corporate governance. Shareholders in microfinance companies should appoint directors to work on their behalf in order to keep ownership and management distinct. Furthermore, staff advancement and enrollment should be based on performance and academic qualifications to improve accountability, fairness, and openness.
- MFIs should address business difficulties strategically, such as hiring and training, establishing job duties, evaluating employee performance, and instilling a suitable culture to ensure staff motivation.
- According to the study, MFIs should reinvest profits in the money market to protect themselves from business risks and earn some interest, boosting their cash inflows and thereby growing loanable funds.

- MFIs should encourage clients without any collateral security to borrow in groups and increase the frequency of loan repayments to reduce loan defaults and improve cash inflows.
- MFIs should also embrace information systems that create clear, timely, accurate, and relevant data, with a focus on well-developed loan monitoring and financial reporting systems, according to the study, to support better managerial decision making. They ought to should.

5.3.2 Recommendations to future researchers

The researcher suggests that more research be done to see how the lack of a Zimbabwean microfinance system for registering and monitoring loans affects MFI operations during the COVID 19 period. The researcher suggests that more research be done to see how the lack of a Zimbabwean microfinance system for registering and monitoring loans affects MFI operations.

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