

**BINDURA UNIVERSITY OF SCIENCE EDUCATION FACULTY OF
COMMERCE DEPARTMENT OF ACCOUNTANCY**



**IMPACT OF LOANS FROM MICRO-FINANCE INSTITUTIONS ON
FINANCIAL PERFORMANCE OF SMALL TO MEDIUM ENTERPRISES IN
ZIMBABWE. A CASE OF GLENVIEW FURNITURE INDUSTRY.**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY (HONOURS)
DEGREE**

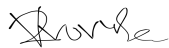
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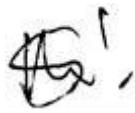
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DEDICATIONS

I thank the Almighty for giving me strength and wisdom to carry out this research. I
want to dedicate this dissertation to my mother, who have prayed and supported me at
every stage.

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My sincere gratitude goes to my supervisor for the valuable advice and guidance. His
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ABSTRACT

This research assessed the impact of loans from Micro-finance Institutions on financial performance of Small to Medium Enterprises in Zimbabwe using Glenview Furniture Industry as a case study. Research objectives for the study were as follows, to evaluate the degree to which SMEs operating in Glenview Furniture Industry have access to loans from MFIs, to examine challenges being faced by SMEs in accessing loans from MFIs and to assess the relationship between SMEs performance and access to loans from MFIs. This research used both qualitative and quantitative descriptive approaches as its research design. Target population for this research was 110 SME owners operating in Glenview Furniture Industry. Data was collected through interviews and questionnaires. 95 SME owners out of the 110 were able to participate in the research survey, resulting into a response rate of 86.36%. SPSS Software Package was used for data analyzation. Research findings were that loans from MFIs were not accessible to SMEs in Glenview Furniture Industry. The SMEs also face challenges such as, limited collateral, high interest rates, lack of surety and lack of permanent structures when accessing for loans from MFIs. This research draws a conclusion that loans from MFIs are not accessible and that loans from MFIs have a weak impact of financial performance of SMEs. The researcher suggests that permanent structures must be built for the SMEs to increase their chances of getting loans. There is also need for financial management trainings to enhance the SMEs finance handling.

Key words: Micro-finance Institutions, Small to Medium Enterprises, loans, financial performance

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ABBREVIATIONS

SMEs – Small to Medium Enterprises

MFIs – Micro-Finance Institutions

RBV – Resource-Based View

SPSS – Statistical Package for Social Scientists

CHAPTER 1

INTRODUCTION

1.0 Introduction

Micro-finance Institutions (MFIs) occupies an important place in offering monetary services to Small to Medium Enterprises (SMEs). In every economy on planet, SMEs are thought to be the primary driver of economic growth (Amin and Banerje, 2007). The aim of this research is to assess how financial performance of SMEs in Glenview Furniture Industry is affected by loans from MFIs.

1.1 Background to the study

Micro-finance is the process of giving small businesses and needy entrepreneurs, access to micro-loans in lieu of traditional banking and associated services (Christen, Rosenberg and Jayadeva, (2004). A study by Hussain, Mahnmood and Scott (2019), indicates that in many nations throughout the world, microfinance plays an important role in reducing poverty and promoting business growth. Micro-finance originated in the 1970s and gained significant attention in the 1990s as a means to provide financial services to the unbanked and underprivileged population, especially microentrepreneurs and small business owners (Christen et al., (2004). Dhungu, (2017) states that MFIs are playing a crucial part in providing loans, savings and other services to those that are not able to get assistance from formal banking systems. These institutions have been recognized for their potential to stimulate economic growth, reduce poverty and empower marginalized communities.

In the African context, micro-finance has gained traction as a means to address the financial exclusion prevalent in many countries, (Mwangi, 2011). The African continent faces numerous challenges, including limited access to formal financial services, high unemployment rates and a large informal sector. Micro-finance Institutions have been instrumental in filling the gap by providing financial services tailored to the needs of micro-entrepreneurs and SMEs (Mosley (2000). These institutions have contributed to job creation, income generation and poverty reduction

in several African countries. Zimbabwe, like many other African countries, has a vibrant informal sector comprising numerous micro and small enterprises.

Glenview, a suburb in the capital city of Harare, is known for its furniture industry, which primarily consists of small-scale furniture producers and artisans. Furniture producers used to operate out of homes in Glenview and neighboring neighborhoods as well as by the sides of the road prior to 2005 (Chipangura and Kaseke (2012). In 2005, the government initiated an operation known as “Operation Murambatsvina” which involved the removal of all buildings constructed without the approval of the local authority and their subsequent cleanup (Glenview Furniture Complex Association Report, 2010).

After recognizing the part being played by SMEs in addressing the nation’s social and economic issues, the Ministry for SMEs requested for land to construct workstations. The Ministry built workstations primarily for SMEs operating on the streets and those that had lost their locations as a result of the clean-up operation (Glenview Furniture Complex Association Report, 2010). Some of the challenges faced by Glenview Furniture Industry SMEs include, limited access to affordable financing, lack of insurance products and informal financing channels. Micro-finance banks are the potential solution to address these challenges by providing tailored financial products and services.

1.2 Statement of Problem

The Zimbabwe’s economy is growing slowly and because investing is expensive due to high interest rates and inflation, there are fewer investors. Unemployment is very high due to the current economy state. Therefore, given the numerous economic difficulties Zimbabwe is currently facing, it is crucial to promote and assist SMEs there (Gono, 2005:7). SMEs has limited access to finance; small furniture businesses are struggling to access sufficient capital for their operations. Because interest rates are high, it is difficult for SMEs to borrow some funds to finance their businesses as they not able to repay the interest. There is also lack of financial services, in Glenview Furniture Industry most of the SMEs fail to access loans, savings accounts, and this limits their ability to advance in technology and expand. Informal financing channels

are another challenge, most SMEs depend on personal savings and moneylenders, but these sources are mostly unreliable and insufficient to meet the industry's needs.

1.3 Research Objectives

The objectives are as follows;

- i. To evaluate the degree to which SMEs in Glenview Furniture Industry have access to loans from Micro-finance Institutions.
- ii. To examine challenges SMEs are facing in accessing finance from Micro-finance Institutions.
- iii. To assess the relationship between SMEs performance and access to finance from Micro-finance Institutions.

1.4 Research Questions

- i. To what degree does SMEs in Glenview Furniture Industry have access to loans from Micro-finance Institutions?
- ii. What are the challenges being faced by SMEs in accessing finance from Micro-finance Institutions?
- iii. How is the relationship between SMEs performance and access to finance from Micro-finance Institutions?

1.5 Importance of the study

1.5.1 To Practice

Micro-finance Institutions (MFIs) will benefit from the research since it will show how their services affect SMEs in the Glenview Furniture Industry. This will help MFIs in implementing more effective financial products and this will improve SMEs performance. Policymakers can use these results to create policies that promote

greater access to finance for SMEs, encourage innovation and foster sustainable growth in the industry. The research will empower SME owners with knowledge about available financial resources and potential for business growth. This will guide them in decision making processes, they will make better choices regarding financing options and expanding their businesses. By assessing the impact of loans from microfinance institutions on performance indicators such as revenue, job creation and innovation, the study will identify areas that need to be improved and provide strategies to enhance the sector's sustainability.

1.5.2 To Theory

Results from this study will provide empirical evidence at the effect of loans from MFIs on the financial performance of SMEs, which can advance the theory of microfinance. The study's results can inspire future researchers by identifying unanswered questions and areas for further exploration. The findings can contribute to the Financial Inclusion theory by highlighting factors that facilitate financial access and inclusion, thus expanding our understanding of how micro-finance can address the needs of SMEs. This research will provide empirical evidence which can enrich existing theories and models related to entrepreneurial finance, SME development and financial institutions' role in supporting small business growth.

1.6 Research Assumptions

The study assumes the following:

- ✧ The study assumes that the data retrieved from various sources is correct and reliable. It is believed that the respondents provide truthful and accurate information and the financial data obtained from SMEs and micro-finance banks are complete and consistent.
- ✧ The study assumes that SME owners in the Glenview Furniture Industry are aware of the services offered by MFIs and they have a better financial understanding.

- ✧ The study assumes that results from the selected sample of SMEs represent the majority of SMEs in Glenview Furniture Industry.

1.7 Delimitation of the study

1.7.1 Geographic Scope

This study focuses mainly on Glenview Furniture Industry in Zimbabwe. The contextspecific nature of this study limits the applicability of the results to broader populations or industries.

1.7.2 Time Scope

The study's analysis and findings are based on data collected up until 2023. The study's conclusions are limited to the information available up until that specific time frame.

1.8 Limitations to the study

The study's sample size is small, which may not fully represent the entire population of SMEs in the Glenview Furniture Industry. The selection process of participants may introduce biases, as certain SMEs may be more willing or available to participate, leading to potential sampling bias.

The research is based on certain individuals' opinions so, the information might be biased as they might not provide exact information of what is really happening.

Respondents might give biased or incomplete information, either consciously or unconsciously, leading to potential inaccuracies in the data.

Some respondents were hesitant to give complete answers for fear of reprimand from their superiors if they revealed personal information. Respondents' limited focus on the questionnaires and their desire to shield businesses' good name, both work against gaining access to complete data.

1.9 Definition of Key Terms

❖ Micro-Finance Institutions (MFIs)

They are financial entities that provide banking services, particularly small loans to low-income groups who lack access to conventional banking services (corporate finance institute).

❖ Small to Medium Enterprises (SMEs)

SMEs are non-subsiary, independent firms which employ fewer than a given number of employees. The specific definition of SMEs varies across countries and industries (Magarisa, 2015).

❖ Loans

A loan is an exchange of present money for a promise of future money. It is a sum of funds loaned out that and is added some premiums when paying back (Friedman, 1963).

❖ Financial Performance

Refers to the degree to which a firm's financial goals have been accomplished. It is typically measured by the profitability of the firm and its efficiency in using its assets to generate revenue (corporate finance institute).

1.10 Chapter Summary

An outline of the study was given in this chapter, also its objectives and research questions addressed. The chapter begins with an introduction to the significance of the research topic and its relevance to theory and practice. Research assumptions, delimitation and limitations are discussed to establish the context and boundaries of the study. The literature is addressed in the upcoming chapter.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter analyzes some relevant literature. A literature review relates the issue to the collection of existing knowledge (Booth, Sutton, Clowes and Martyn-St James, 2021). In order to provide answers to related research questions, this requires a fair review of earlier contributions and works in terms of current knowledge, theories, intellectual formulations and research findings. This chapter's aim is to offer sincerity and reliability to the researcher's study by referencing the writings of several organizations, academics and specialists whose works are significant contributions to the main relational elements of this study.

2.1 Concept of Micro-finance

From Robinson (2003) view, micro-finance is a strategy for development that helps the extremely poor to establish their enterprises by producing financial services and products such as savings accounts, insurance and money transfers. NonGovernmental Organizations (NGOs), among other institutions, played a crucial part in developing of micro-finance. Fundacion Carjava, for example established an effective training and credit program for solo microbusiness owners and Dr. M Yunus of Bangladesh started a pilot group loan program for those without land in Asia (Ledgerwood, 1999). These institutions also established cooperation group lending to urban vendors (Latin America ACCION). Ledgerwood, (1999) states that generally NGOs, savings and loans cooperatives, commercial banks, and non-bank financial institutions can provide micro-finance. Service providers, low income self-employed business owners in both rural and urban settings and entrepreneurs are usual microfinance clientele (Ledgerwood, 1999).

2.2 Theoretical Framework

The theoretical framework serves as the philosophical foundation for the actual investigation (Braidotti, 2019). As a result, a connection is made between the theoretical perspectives and the real subjects of the inquiry. Kiilu (2018) believes that, the selection of research methodology is significantly impacted by the theoretical framework. The results of two studies make it abundantly evident that ideas related to

the subject matter of the inquiry are crucial in determining the course that the investigation will take. For research to be effective, it is important to establish a method compatible with the nature of the topic being studied, claim Rubio, Valero and Llopis-Albert (2019).

2.2.1 Financial Inclusion Theory

This theory highlights how crucial it is to offer financial services, especially lending, to underserved populations and businesses like SMEs (Galor and Zeira, 1993). Financial Inclusion Theory acknowledges that one of the main obstacles to SMEs' expansion and development is their restricted access to formal financial services (Allen, Demircuc-Kunt, Klapper and Peria, 2012). SMEs frequently encounter difficulties obtaining traditional banking services as a result of low credit history, expensive transaction costs and lack of collateral (Kling, Pesque-Cela, Tian and Luo, 2022). By providing loans that are customized to the needs of SMEs, having flexible repayment terms and often using methods other than traditional collateral-based lending for credit evaluation, MFIs play a crucial role in fostering financial inclusion (Kling et al, 2022). By employing Financial Inclusion Theory, the researcher can explore the impact of loans from MFIs on SMEs' financial performance through the lens of access to financial services, empowerment and economic development.

2.2.2 Principal-Agent Theory

The research of agency connections and the issues they bring up, particularly the predicament that the principal and agent's interests might not align even while they are pursuing the same aim, is known as Agency Theory (Mitnick, 2013). It addresses the possible conflicts of interest that could develop between principals (lenders) and agents (SME owners). It acknowledges that, in contrast to the microfinance organizations that are making loans, SME owners and managers could have different goals and attitudes toward risk (Jensen and Meckling, 1976). Agency theory offers guidelines for comprehending and addressing conflicts that may rise in principal-agent relationships, as well as assistance in resolving disputes. However, the theory's applicability may be limited by its narrow focus and narrow set of assumptions (Mishkin, 2004).

2.2.3 Resource-Based View (RBV) Theory

Organizations are primarily composed of a variety of distinct resources, according to the RBV by Wernerfelt (1984). An organization's performance is improved by its management's ability to integrate various resources and capitalize on market opportunities (Penrose, 1959). In the context of SMEs obtaining loans from MFIs, this theory can be used to examine how the supply of financial resources affects the firm's overall performance and its competitiveness (Barney, Wright and Ketchen, 2001). These monetary resources can be invested in research and development, employed to improve production processes and to acquire productive assets. The Resource-Based View offers a thorough understanding of an organization's resources, accounting for all of its assets and highlighting the role that organizational resources play in gaining a competitive edge (Freeman, Dmytriiev and Phillips, 2021).

2.2.4 Institutional Theory

Institutional Theory by Scott (2004) focuses on the factors that mold social and organizational structures, schemas, laws, customs and eventually the conduct of social players. This theory may be applied to microfinance institution loans to investigate how Zimbabwe's institutional structure influences SMEs' loan seeking decisions and how that influences their financial performance (Scott, 2004). It considers elements including the legal and regulatory environment, cultural customs and social expectations around loan borrowing in micro-finance. Institutional Theory has certain drawbacks, too, like the difficulty of changing institutions to reflect shifting social views, but it also has advantages like access to professional management and experience (Teo, Wei and Benbasat, 2003).

2.3 EMPIRICAL REVIEW

2.3.1 The degree to which SMEs in Glenview Furniture Industry have access to loans from MFIs.

The extent of accessibility of micro finance services by SMEs owned by women.

Kueredza, (2022) conducted research on the degree to which women-owned SMEs in Zimbabwe can obtain micro finance services. The aim of this study was to provide a framework on improving chances of women owned SMEs of accessing finance from

MFIs. The major purpose of this study was to create a framework that would improve women-owned SMEs in developing nations' ability to obtain financing from MFIs (Kueredza, (2022). Stakeholders' ability to make more informed decisions in the micro-finance industry was one of the frameworks' practical consequences.

Accessibility of micro-finance services to Zimbabwe Small Enterprises: A case of Harare, Zimbabwe.

From Hosho, Gumbo and Pamu (2018) point of view, micro-credit is a more accessible type of micro-finance product. The study also assessed the degree to which Small Enterprises in Zimbabwe depend on MFIs for their operations and the accessibility of various MFI services to SE's selective demand for micro-finance services. There is still a need for advancement in both the SME and MFI sectors, as SEs in Zimbabwe still only have limited access to micro-finance services (Hosho et al, (2018).

The accessibility of micro-finance for small businesses in Mogadishu, Somalia.

Ali, Abu-Hadi and Ali, (2013) looked into how easily accessible micro-loans were to Mogadishu's small enterprises. The primary conclusions of this study show that small firms in Mogadishu face difficulties obtaining loans from MFIs, which leads many of them failing quickly or never starting at all since they are unable to overcome the difficulties. The study also highlighted that guarantor, collateral and capability of repaying are some of the requirements necessary in accessing loans (Ali et al, 2013). The authors stated that it is because of these requirements that some of the small businesses fail to acquire the loans.

2.3.2 Challenges SMEs face in accessing finance from MFIs.

The effects of micro-credit on profitability and the challenges of women owned SMEs. Evidence from Northern Ghana.

Alhassan, Hoedoafia and Braimah (2016), did a study on the difficulties that womenowned SMEs in Northern Ghana face, as well as the impact of micro-credit on profitability. The standard monthly gross profit increased significantly with time, according to the results. The study did, however, also show that the observed variation in monthly gross earnings has less of an impact on how businesses operate. To enhance SMEs' operational efficiency and long-term financial viability, lending

institutions should assess the rates of interest, loan payback terms and amounts of loan they offer (Alhassan et al, 2016).

Challenges of micro-finance accessibility by SMEs in Tanzania.

The difficulties SMEs in Tanzania have in accessing microfinance were examined by Woldie, Mwita and Saidimu, (2012). The findings demonstrated that because of high transaction costs, a shortage of collateral and lack of expertise in creating bankable projects, the banking industry has not been able to sufficiently offer micro-finance services to SMEs. From the results, it was also discovered that most of the respondents operate without proper bookkeeping and this limits their eligibility for bank loans. This shows that SME owners contribute to their inability to access bank loans.

The challenges confronting small scale businesses in accessing micro-finance services from MFIs. Case study: Rural Tanzania.

Assessing ease of access to microfinance services as well as obstacles small companies face in obtaining these services from MFIs in Tanzania's Mvomero District was the primary focus of Flora (2015) study. The study demonstrates that small businesses can obtain and have profited from micro-finance services provided by various MFIs, but they also face numerous obstacles when attempting to obtain micro-finance services. According to Flora (2015), financial statements not properly done, lack of micro-insurance service and unavailability of entrepreneurship trainings are some of the barriers faced by small-scale business owners in obtaining microfinance services. The author recommended MFIs to have long loan repayment periods so as to allow small-scale businesses to acquire more profits from the loans they would have taken.

Women's access to micro-finance and poverty alleviation in Zimbabwe: Case study of Chinhoyi Town.

This study evaluated how women's ability to access finance helps in reducing poverty. The analysis acknowledged that some women were making profits from their small enterprises, but it also found that these women were having trouble getting the funding they needed because of unofficial screening criteria and lack of collateral security (Kapingura and Mishi, 2012). The study pointed out that the micro-finance

organizations that were accessible were only providing money for family use and yet charged high interest rates, which made it challenging for women to obtain loans. Kapingura and Mishi (2012), suggested re-evaluation of MFI's and money lenders screening procedures, giving preference to entrepreneurship credit over consumer credit as it will contribute to job creation and give many families a steady source of income.

2.3.3 Relationship between SMEs performance and access to finance from MFIs.

The impact of micro-financing on poverty alleviation and small businesses in Ghana.

Gakpo, Wujangi, Kwakye and Asante (2021) evaluated the effect of micro-finance in creation of employment, supporting marginalized and vulnerable communities, reduction of poverty and growth of SMEs. Their findings showed a positive connection between MFIs services and growth of SMEs and also between MFIs services and poverty reduction. Small businesses get financial assistance from MFIs and develop their businesses thus, helps in alleviating poverty. Gakpo et al, (2021) did not find any relationship between micro-finance and rate of employment and outreach to the vulnerable and marginalized. They concluded that micro-finance services positively correlate with economic growth.

A review of the effect of micro-finance services on the profitability of SMEs in Kenya.

Wasike (2023) looked at how micro-finance services affect the profitability of SMEs situated in Kenya. The results of this research indicated a positive correlation between micro-finance services utilization and the profitability of small businesses, thus, providing evidence of the potential benefits of micro-finance services. The author stated that services provided by MFIs enhances the profitability of SMEs. Wasike (2023) concluded that SMEs benefits from micro-finance services and enhances their profitability.

The impact of micro-finance on SMEs in Zimbabwe: The case of Masvingo Town.

Machingambi (2011), evaluated the effect of microlending on Zimbabwe's small and

medium sized businesses. The author observed a positive effect of MFIs services in promoting SMEs and also that MFIs have a beneficial impact on helping SMEs grow their market share, their branch network and product quality and quantity. A substantial portion of SMEs that benefited from MFIs loans were successfully using their loans for business objectives, which boosted their expansion. SMEs demonstrated that, despite the fact that most of them are not given the entire amount of loans they apply for, they are still able to access MFI loans and other services (Machingambi, 2011).

An empirical study of the impact of micro-finance institutions on SMEs growth in Nigeria.

Olowe, Moradeyo and Babalola (2013), studied how micro-finance services affect the growth of SMEs based in Nigeria. According to their research, financial services from MFIs have a positive effect on the growth of SMEs in Nigeria. They stated that loans have much impact on the expansion of SMEs, nevertheless, duration of loans is insufficient to have a significant effect on SMEs' growth. Using a purposive sample technique, 82 SME operators were chosen from among all of Oyo State's SMEs for this research. They employed the Pearson regression analysis to examine the data.

2.4 Research Gap

Previous researches looked at the impact of micro-finance services as a whole, that includes savings accounts, loans, money transfers and insurance whilst, this study is looking at the impact of loans only on the financial performance of SMEs. Gakpo, Wujangi, Kwakye and Asante (2021), Wasike (2023) and Machingambi (2011) looked at the impact micro-finance services on SMEs. Another gap is that the researcher, looked at a specific industry of the SMEs whilst, other researchers looked at SMEs as a whole. This study is limited to specifically furniture industry at Glenview Complex.

2.5 Conceptual framework

Conceptual framework is an instrument used by researchers to organize their work; it is a collection of ideas that acts as a guide for the research (Ullar, 2021). It provides a

structure for understanding and organizing key concepts, variables and relationships involved in a research study. The framework is figured below:

Figure 2.1: Conceptual Framework

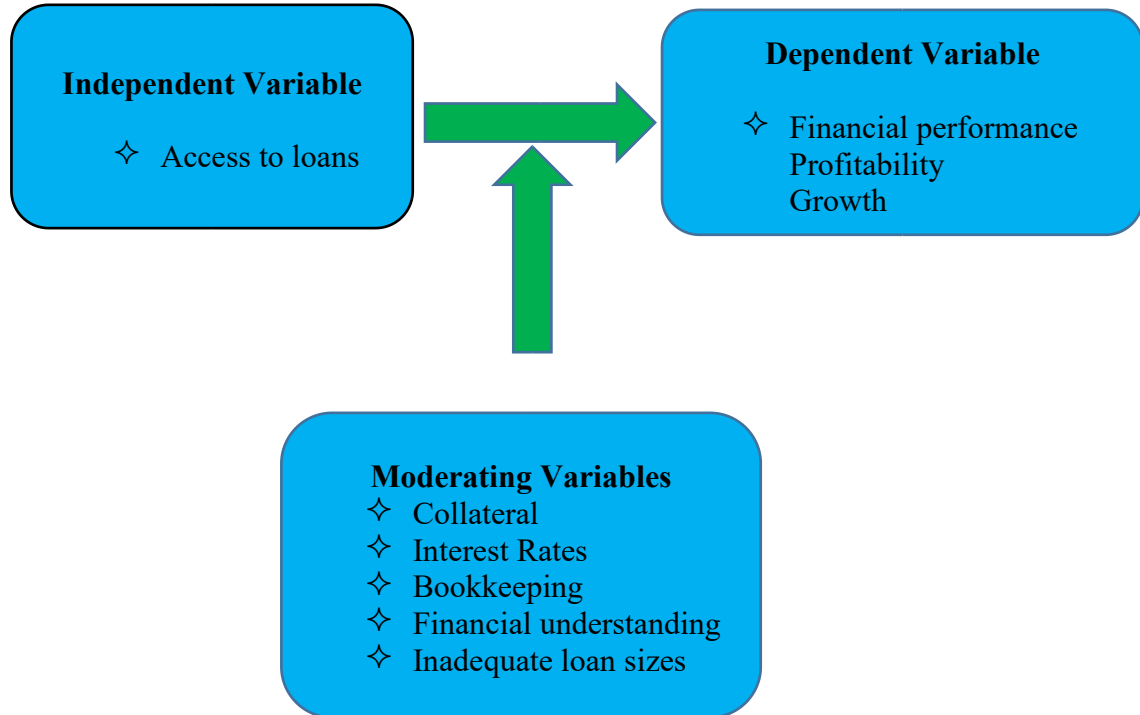


Table 2.1 Operationalization of Variables

VARIABLE	MEASUREMENT
Independent Variable	
Access to loans	<ul style="list-style-type: none"> • Average loan amount obtained • Frequency of loan applications <ul style="list-style-type: none"> • Loan approval rate
Dependent Variable	
Financial Performance	Annual turnover

2.6 Chapter Summary

In conclusion, researchers have studied how Micro-finance Institutions loans impact the financial performance of SMEs. Inadequate financial statements, financial illiteracy and lack of collateral are some of the factors that limit SMEs in acquiring financial products and services. Some of the theories utilized include, Financial Inclusion theory, Principal-Agent theory and Resource-Based View theory.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This study assesses how loans from Micro-finance Institutions, in particular the Glenview Furniture Industry, affect the success of SMEs. In this chapter, the researcher explains the research philosophy and the research design. In addition, the researcher highlights the research instruments that were utilized to obtain the relevant data, the sampling methods and sampling procedures that were used to generate a sample. There is also a summary of the correctness and dependability of the information gathered.

3.1 Research philosophy

Kothari (2020), describe research philosophy as a system of views regarding the right techniques for the gathering, analysis and utilization of data relevant to a particular phenomenon. The four primary research philosophy that are used to analyze social phenomenon are positivism, realism, interpretivism and pragmatism (Kuashik and Walsh, 2019). Within the context of this specific piece of research, the interpretivist approach was used and according to Zukauskas et al (2018), knowledge is multifaceted, flexible, subjective and socially created. By adopting this philosophy, research aims to uncover the underlying dynamics and complexities of the relationship between Micro-finance Institutions loans and SME financial performance, providing valuable insights into the specific case of Glenview furniture industry.

Interpretivist methodology is consistent with qualitative research, which gathers and examines non-numerical data through observation, interviews and document analysis. They acquire a better view of many and subtle factors that affect the relationship between Micro-finance Institutions loans and the Glenview furniture industry.

3.2 Research strategy

A methodology for research is a systematic plan of action that gives the investigator a sense of purpose and direction (Saunders, Lewis and Thornhill, 2009). Qualitative and quantitative researches were the research methods used. In qualitative research, the researcher explored the experiences, perceptions and challenges faced by SMEs in accessing and utilizing micro finance loans. Observations were conducted and they provided contextual information and helped to validate and complement the findings. In quantitative research, the data collected was analyzed using statistical techniques to identify correlations and patterns between Micro-finance Institutions loans and SMEs performance.

3.3 Research design

A research design is the blue print for how the research will be carried out (Dannels, 2018). It details the activities that will be carried out during the course of the study with the participation of the participants, with the intention of reaching conclusions relating to the issue that will be investigated (Kudiwa, 2016). Descriptive and inferential researches were conducted to compile the research findings as they are more suitable for this research. The researcher also conducted a cross-sectional survey because it provides important information about the relationship between use of MFIs and performance indicators of SMEs at a certain point in time. Cross-section surveys are used as a method of assessing information regarding a certain population (Zikmund, 2014). By administering the survey to a representative sample of SME owners, the researcher obtained a broad understanding of the current state of SMEs in the industry and their experiences with MFIs. The researcher utilized the questionnaires and interviews to gather information.

3.4 Target population and Sample size

Target population includes everything which satisfies the sample criteria for the research study (Kudiwa, 2016). The primary target population was 400 SME owners operating in the Glenview furniture industry. This included individuals who own furniture manufacturing businesses and furniture retails in the industry. A sample is an element of a population in which conclusions are made (Vasileiou et al, 2018). The researcher took a representative sample of 110 SME owners from the entire population. These participants were selected from different categories (manufacturers and retailers).

3.5 Sampling method

The theory of probability sampling is predicated on the supposition that the sample will be chosen in a manner that is statistically random (Kothari, 2011). There are several sampling methods and the researcher used stratified sampling. With stratified sampling, the researcher divided the population into subgroups based on characteristics such as business size, years of operation and previous utilization of micro-finance. Within each stratum, a random sample of SMEs is selected in proportion to the size of that stratum. Researcher guarantees that the sample is reflective of the diversity within the SME population by using stratified sampling. This makes it possible to gain a more thorough understanding of how micro-finance loans affect financial performance. **Table 3.1 Target Population**

Respondent Type	Method of Sampling	Method of Data Collection	Sample Quantity
SME owner	Stratified sampling	Questionnaires	80
SME owner	Stratified sampling	Interviews	30
TOTAL			110

3.6 Research instruments

A data collection method is an approach used to gather data for a study. In order to acquire information for the study, the author used questionnaires, interviews and document analysis. A questionnaire are questions grouped in different categories, distributed to participants in order to elicit their thoughts on a subject. Close-ended questionnaire was used, a single question and several in-depth choices are presented to the responder in a closed questionnaire (Lohr, 2021). Respondents have to choose the response that most accurately represents their viewpoint from the extended scale used.

Interviews with workers, provides valuable insights into the specific ways in which micro-finance has influenced their financial performance, as well as their experiences and challenges related to micro-finance loan utilization. On document analysis, the researcher analyzed financial documents, loan agreements and business records, these offer valuable insights into the financial impact of micro-finance on SMEs over time.

3.7 Data collection procedure

3.7.1 Primary data

Most of the data was acquired through questionnaires. The questionnaires were delivered physically and to those with access to emails there were emailed to them. The researcher collected the questionnaires and checked the questionnaires to see if any of the items were answered. Also, interviews were carried out and this was done so that some of the responses could be classified further. Appointments were set with the people that were to be interviewed and the interviews were done on a convenient environment so that the participants feel comfortable.

3.8 Data analysis and presentation methods

Data analysis is stated by Kumar (2011) as an act of coding, modifying, tabulating and classifying obtained data in order to make them usable. The researcher evaluated the quantitative data using the methodology proposed by Cohen et al (2017). Quantitative data was obtained from participants through questionnaires and the responses were analyzed using Statistical Package for Social Scientists (SPSS). For descriptive analysis the researcher used percentiles to categorize responses from sample participants. Interview responses were summarized and proof attached to support the summations. For inferential data analysis, Pearson's correlation was utilized using a two-tailed test with a significance threshold of 0.01%.

3.9 Validity and reliability of findings

A study's validity is determined by how properly it evaluates and reflects its stated objectives (Cohen et al, 2017). Research techniques and data analysis that are trustworthy regularly provide the same results. A literature review will be utilized in

developing the questionnaire in order to assure the validity of the data composed (Mohajan, 2017). We were therefore given the assurance that the questions would be relevant to the topic. The questionnaire has closed-ended questions to ensure that responses from the participants were relevant to the current study. Triangulation, in which data from other respondents was used to calculate mean responses, was employed to ensure that perspectives of different respondents were contrasted.

Reliability measures the consistency of results over time (Joppe, 2010). Additionally, one can determine the reliability of a research instrument by whether or not the findings of a study can be replicated using a methodology that is comparable to that used in the original study. For a research to be recognized as reputable, it must be possible to duplicate the results of the study in a variety of diverse settings (Golafshani, 2013). Drost (2018), mentioned that test-retest reliability can be used to quantify dependability. To add credibility of study questionnaire, the researcher did a preliminary test. The researcher chose a small number of people to fill out the questionnaires and evaluated them and the preliminary test was done to enhance the dependability of study questions.

3.10 Ethical considerations

The field of philosophy known as ethics is concerned with the dynamics of decision making in relation to what exactly defines right and wrong (Fouka and Mantzorou, 2011). The researcher considered the following ethical issue since social studies involving people must do so. The researcher received the official approval from the university they required to continue their inquiry. Similar to that, the researcher would ask for permission first from SMEs owners to carry out the inquiry. Through strict compliance to guidelines provided by the Research Supervisor for gathering, processing and analyzing data at every phase, the study's integrity was maintained. The researcher went above and above to ensure that each subject provided informed permission before taking part in the trial. Also, scrupulously protected throughout the research were the subjects' right to privacy and their identities. The researcher also described the study's objectives and assured participants that their replies and the survey's findings wouldn't be used in any manner that would be harmful to them or the organizations they represented.

3.11 Chapter summary

This chapter has explained research methodology that was used to execute this study. The research design, populations under study, data gathering tools and analysis strategy have all been discussed. The chapter ends with an explanation of the different ethical decisions, the researcher took throughout the study, as well as the reliability and validity of the findings.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents the results of the field research which carried out at Glenview Furniture Complex and an analysis and discussion of those results. Information was gathered using close-ended questionnaires and interviews. Descriptive and inferential statistics were used to analyze the data.

4.1 Response Rate

The researcher surveyed a population of 110 participants, and only 95 people participated and according to Bryman and Bell (2015) this statistic is considered to be an outstanding response rate as it has a response rate of 86.36%. Bryman and Bell (2015) states that an appropriate response is one that is at least fifty percent, an excellent response rate at least sixty percent and an outstanding rate at least seventyfive percent or more. Response rate data is shown in Table 4.1 below.

Table 4.1 Response Rate

	NUMBERS	PERCENTAGE
Questionnaires: Returned	70	63.64%
: Unreturned	10	9.09%
Interviews: Responded	25	22.72%

: Failed to respond	5	4.55%
Total	110	100%

Source Primary Data (2024)

4.2 Demographic Variables

Descriptive analysis was used to provide summaries of the demographic information, including the highest level of education, years' operating in the industry, annual turnover, number of employees and legal status. This information was essential to gather in order to assess the study outcomes in terms of demographic composition of the sample.

4.2.1 Highest Level of Education

This section presented and discussed results on the highest level of education of participants.

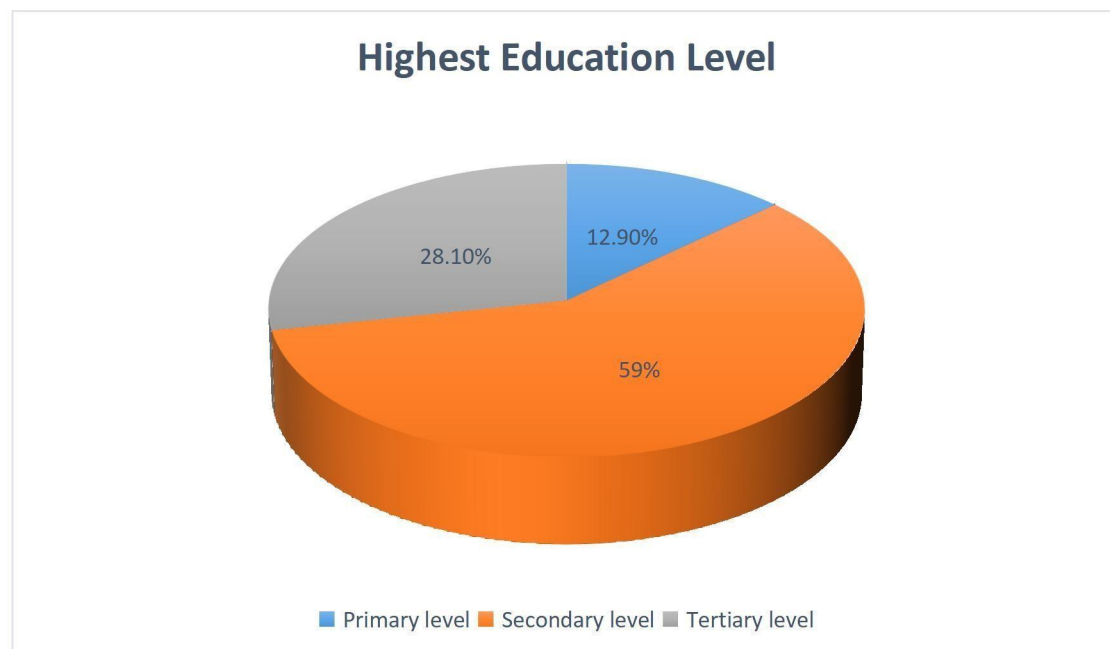


Fig 4.1 Highest Education Level Source: Primary Data (2024)

These findings suggest that most of the respondents reached secondary level and this indicates that the majority of respondents were able to read and understand the questions being asked. From the results the majority of respondents only understand the basic skills about finance. They lack much knowledge on how the loans will affect their financial performance and also how the interest rates will affect their business performances as they earn low sales.

4.2.2 Years' Operating in the Industry

This section presented and discussed the results of the period in which the respondents have operating in the furniture industry at Glenview Complex.

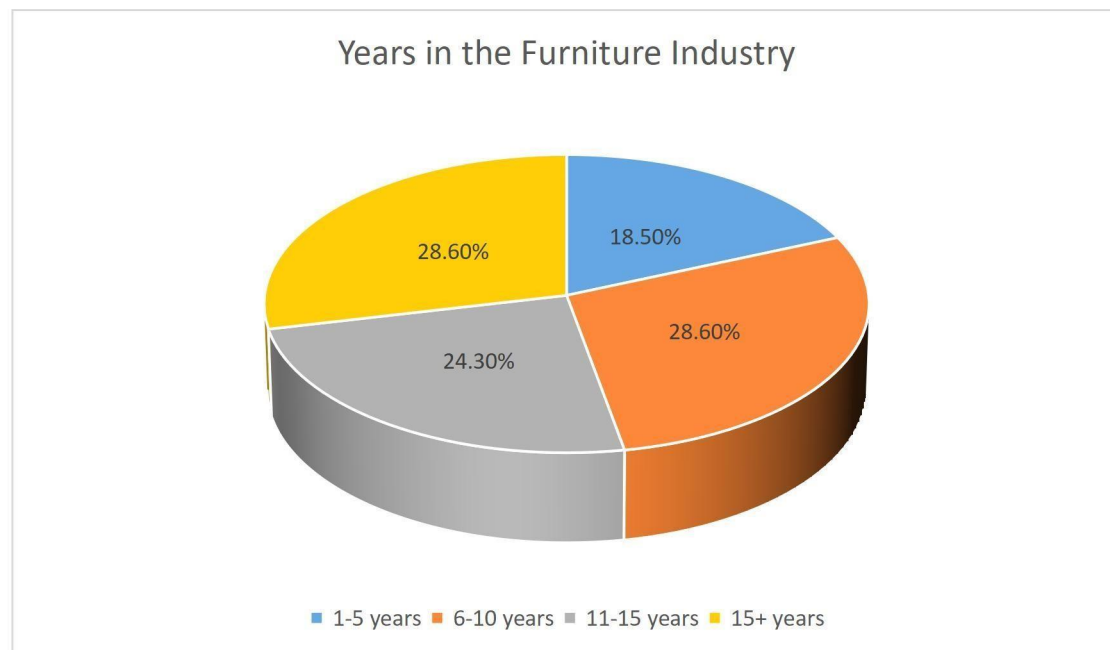


Fig 4.2 Years Operating in the Furniture Industry Source: Primary Data (2024)

The data indicates that the majority of the participants have been operating at Glenview Complex in the Furniture Industry for over fifteen years and a period between six and ten years, following is a period between eleven to fifteen years and lastly a few between one and five years. The results showed that most SMEs in the furniture industry at Glenview Complex have been operation for more than five years. From this we can conclude that the participants provided accurate information as they have been operating for a long period.

4.2.3 Annual Turnover for the past 3 years

This section discusses results on the annual turnover of the participants for the past three years.

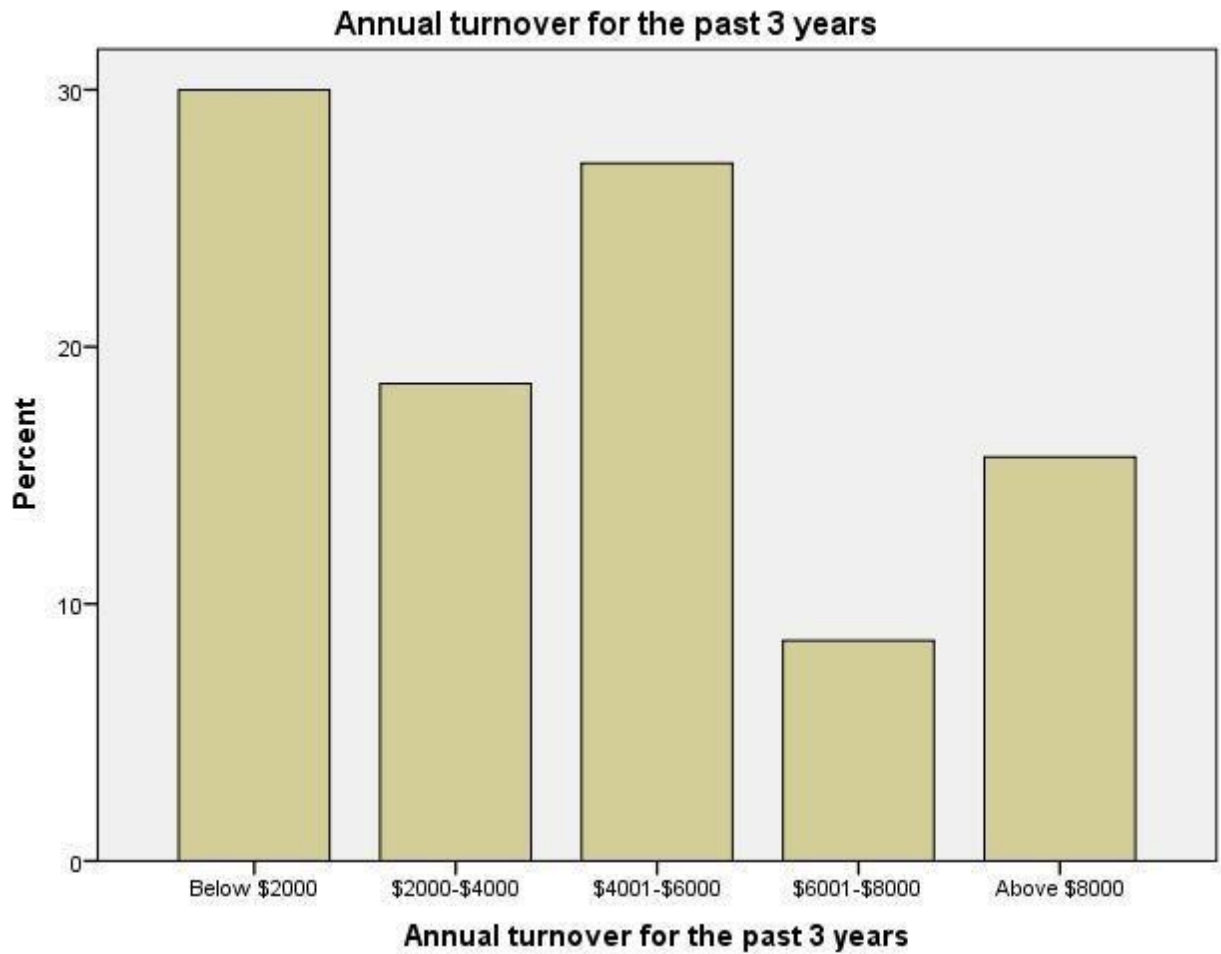


Fig 4.3 Annual Turnover for the Past 3 Years Source: Primary Data (2024)

From the results we can conclude that for the past three years, financial performance of the majority of SMEs operating in Glenview furniture industry was low. This has an impact on those SMEs that have borrowed some funds from the MFIs as they, collect their interest premiums weekly or monthly and from the results we can conclude that a SME can go a week without selling anything so they are not able to pay the premiums. Low business growth is also indicated by these results, their financial performance is low so they can invest and expand their businesses.

4.2.4 Number of People Employed

Results on the number of employees at each firm is presented and discussed in this section.



Fig 4.4 Number of people employed Source: Primary Data (2024)

This data shows that most of the SMEs employ people according to their earnings, majority of the SMEs had low annual turnover for the past three years and majority have few employees. SME owners cannot employ many employees whilst their turnovers are low because they will not be able to pay them their wages. This also indicates that there is low employment creation at informal sectors since they are not able to employ many people hence, increase in unemployment.

4.2.5 Legal Status

On this section results on the legal status of the SMEs are discussed.



Fig 4.5 Legal Status Source: Primary Data (2024)

Most SMEs at Glenview Furniture Industry are not registered as they run from away from paying rentals to the council. Some of the SMEs are not able to pay the rentals due to low incomes and they also don't make much profits so they decide not to register.

Some of those not registered they are not permanent operators so they cannot register and then tomorrow they cease operations. Those who are registered they can afford to pay the monthly rentals to the council.

4.3 Reliability Results

To see the extent to which research instruments are free from bias, reliability tests are done (Zohrabi, 2013). The study used Cronbach's alpha to measure the extent to which the research variables were reliable. According to Taherdoost (2018), the ideal Cronbach's alpha value is at least 0.7. Reliability results are presented on table below.

Table 4.2 Reliability Results

Variable	Items	Cronbach's Alpha
Access to loans	4	.930
Challenges faced	5	.951

4.4 The degree to which SMEs in Glenview Furniture Industry have access to loans from Micro-finance Institutions.

Descriptive analysis was used to make it possible for research to use statistics to accurately characterize the distribution of scores. The respondents were asked to rate each statement on an Extended scale (1=Extremely Small extent, 2=Small extent, 3=Moderate, 4=Large extent, 5=Extremely Large extent). The initial aim was to assess if loans from Micro-finance Institutions were accessible to SMEs operating in Glenview Furniture industry. The study's findings are shown in table 4.3 below.

Table 4.3 Access to loans from MFIs

Statement	1	2	3	4	5
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To what extent are loans from MFIs accessible to SMEs in Glenview Furniture Industry?	81.4%	2.9%	0	0	15.7%
To what extent do MFIs market their loan products to SMEs in Glenview Furniture Industry?	31.4%	8.6%	18.6%	5.7%	35.7%
To what extent do SMEs in Glenview Furniture Industry apply loans from MFIs?	71.4%	4.3%	4.3%	5.7%	14.3%
To what extent do the SMEs get the loans they apply from MFIs?	50%	8.6%	22.9%	0	18.6%

Source: Research Survey (2024)

From the data it is noticeable that SMEs in Glenview Furniture Industry don't have access to loans from MFIs. This shows that their financial performance might be affected by the accessibility of loans since the majority of the SMEs had low annual turnover for the past three years. MFIs makes some efforts to make their products to the SMEs but it shows there are some reasons why they come rarely to market. Additionally, the results show that SMEs in Glenview Furniture Industry don't apply for loans from MFIs. They cannot apply for loans that they will fail to repay as their businesses have not been performing well for the past three years. Lastly, the data show that the majority of those who apply for the loans don't get the loans. This could be because they have limited collateral and they don't keep proper books of their business transactions so they don't meet the requirements needed for them to get the loans.

These results agree with a research on the accessibility of micro-finance for small businesses in Mogadishu, Somalia by Ali, Abu-Hadi and Ali (2013). Researchers draw a conclusion that small firms face difficulties obtaining loans from MFIs which, leads to majority of them failing quickly because they do not have funds to support their businesses. Hosho, Gumbo and Pamu (2018) research results were also in line with findings of this study, they researched on accessibility of micro-finance services to Zimbabwe small enterprises looking at Harare. They looked at micro-credit, microleasing, micro-venture, saving and micro-insurance and of the five items micro-

credit was more accessible but overall, they concluded that small enterprises have limited access to micro-finance services in Zimbabwe.

4.4.2 Challenges SMEs are facing in accessing loans from Micro-finance

Institutions.

The challenges that SMEs are facing in accessing loans from Micro-finance Institutions were discussed with the participants. Table 4.4 shows the collected data.

Table 4.4 Challenges SMEs are facing in accessing loans from MFIs

Statement	1	2	3	4	5
To what extent do SMEs in Glenview Furniture Industry face the following challenges:					
I. Limited collateral	18.6%	0	8.6%	4.3%	68.6%
II. High interest rates	27.1%	8.6%	14.3%	8.6%	41.4%
III. Lack of proper bookkeeping	14.3%	4.3%	8.6%	8.6%	64.3%
IV. Inadequate loan sizes	35.7%	10%	31.4%	10%	12.9%
V. Limited financial understanding	41.4%	14.3%	22.9%	7.1%	14.3%

Source: Research Survey (2024)

Limited collateral and lack of proper bookkeeping are the major challenges that face SMEs operating in Glenview Furniture Industry. The SME owners don't have enough collateral to allow them to borrow some funds most and most of them did not further their studies from secondary level so they don't have much knowledge on how to do their business accounts hence, lack of proper bookkeeping. Furthermore, majority of the SME owners face the challenge of high interest rates because their sales are low so they are affected by high interest rates as they will remain with small earnings. Most of the SME owners expressed that they don't face the challenge of inadequate loan sizes due to the fact that they will be having the requirements needed. They also keep proper books of their business transactions so the MFIs agents can offer them the loans they apply for as they are assured that they can repay them. Finally, the challenge of limited financial understanding is not faced by many SME owners.

These results agree with the research findings of Woldie, Mwita and Saidimu (2012) who researched on challenges of micro-finance accessibility by SMEs in Tanzania. Their findings showed that only a small portion of the targeted population had fixed assets that qualify as collateral, the major portion faced the challenged of collateral. Woldie et al (2012) also showed that 54.3% of their sample size do not keep proper bookkeeping hence, majority of their sample faced challenges when applying for loans due to poor culture of bookkeeping. On the research of women's access to micro-finance and poverty alleviation in Zimbabwe looking at Chinhoyi town by Kapangura and Mishi (2012). From their research, 57.4% of the women they interviewed do not view financial understanding as a limiting factor to access of finance, they were confident that they have all information and understood finance.

4.4.2.1 Other challenges

The respondents were given an option to add other challenges that were not discussed and the majority of them expressed that the ones discussed were the major ones they did not have other challenges. However, some highlighted challenges such as lack of insurance, lack of permanent business addresses, this affects them as they cannot provide a fixed address where the MFIs can locate them and lack of surety, there is an absence of confidence in SMEs operators by MFIs agents.

4.4.3 Relationship between SMEs financial performance and access to finance from MFIs.

Pearson correlation was used to analyze the relationship between SMEs performance and access to finance. The study looked at the relationship between the annual turnover of SMEs as it measures their financial performance and accessibility of loans.

Table 4.5 Relationship between SMEs performance and access to finance
Correlations (n=70)

		Annual turnover for the past 3 years	Accessibility of loans from MFIs
Annual turnover for the past 3 years	Pearson Correlation	1	
	Sig. (2-tailed)		

Accessibility of loans from MFIs	Pearson Correlation	.181	1
	Sig. (2-tailed)	.133	

Source: Research Survey (2024)

The Pearson correlation coefficient between annual turnover for the past 3 years and accessibility of loans from MFIs is 0.181 indicating a positive relationship between the two variables. The significance (p-value) of the correlation is 0.133 which is greater than the typical threshold of 0.05. This suggests that the correlation is not statistically significant and the observed relationship could have occurred by chance. Based on these results, there is a weak positive correlation between the accessibility of loans from MFIs and annual turnover for the past 3 years, but, this relationship is not statistically significant. This suggest that accessibility of loans from MFIs is not a strong predictor of the financial performance (as measured by annual turnover) of the SMEs in the Glenview furniture industry.

These results agree with the findings by Wasike (2023) who researched on the effect of micro-finance services on the profitability of SMEs in Kenya. The results of the research indicated a positive correlation between micro-finance services utilization and the profitability of small businesses. Machingambi (2011) and Olowe, Moradeyo and Babalola (2013) also obtained a positive effect of MFIs services on the performance of SMEs. Olowe et al (2013) obtained a strong positive correlation of 0.985 between loan disbursement and SMEs growth. This means that an increase in loan disbursement will lead to an increase in SMEs growth.

4.5 Interview Responses

4.5.1 Accessibility of loans

The respondents were asked how they would describe the accessibility of loans from Micro-finance Institutions to the SMEs operating in the Glenview furniture industry. The majority of the respondents, replied that loans from MFIs were not accessible. Below is proof from some of the respondents:

“I don’t know about them they don’t come to market their products so I cannot access the loans. I don’t know where they are located so how can I apply for the loans.”
(interviewee 01)

“If they come to market their products, they don’t come back again and they don’t have offices here so we cannot access the loans.” (interviewee 21)

4.5.2 Challenges faced in applying for loans

The respondents were asked the challenges they are facing in applying for loans from Micro-finance Institutions. Some of the major challenges they face included lack of collateral, outbreaks of fire and lack of permanent structures.

Challenge 1

Most participants expressed lack of collateral as one of the major challenges they face when applying for loans from Micro-finance Institutions. They would like to apply for loans, but they do not have enough collateral so that the MFIs can grant them loans.

The following views are proofs:

“Our stocks are not considered as collateral since there are high risks of fire outbreaks, so the MFIs agents fear that we can easily lose the stock and left with no collateral.” (interviewee 06)

“We do not have much properties at home so home properties are not enough to serve as collateral, hence, our loan applications will be rejected.” (interviewee 19)

Challenge 2

Fire outbreaks was among the main reasons that affect them when they apply for loans, if they apply for the loans and then their stock is burnt down then, they will not be able to pay the interests as their businesses will be low. One of the respondents explained as follows:

“We encounter fire outbreaks very often, in December we experienced another fire outbreak and our businesses will be very low since most of the stock will be burnt down if not all of the stock. If we apply for loans and such incidents occur then we will

not be able to pay the interests as they are collected weekly or monthly and at that time we are experiencing low sales and recovering from the damages. The MFIs end up not approving for our loans due to such cases and most of the cases will we end up including the police or they will take most of our properties at our houses to cover the debts.” (interviewee 10)

Challenge 3

Another issue raised was lack of permanent structures, most of the participants stated that they do not have permanent structures and this affects when applying for loans as MFIs agents lack trust in them fearing they might come back and find someone new operating at the spot. Following is proof from some of the respondents:

“When the MFIs agents come to market their products, they don’t come back to follow up on loan applications because they don’t trust us. We don’t have permanent structures so they fear to be crooked, as they think we might vacate the places and when they come for collections they won’t see us. They think they will make losses as they might fail to recover the funds they had lender us.” (interviewee 20)

“Because we don’t have permanent structures, three people might be operating on a small place and when the MFIs agents come I will just show them combined stock, they would not know that the other is not mine. For that reason, the agents lack trust in us as they can’t tell which stock is ours and which is not so they can’t make an accurate assessment hence denial of loan applications.” (interviewee 16)

4.5.3 Factors that influence financial performance

Competition, financial literacy and outbreaks of fire were some of the factors that the respondents stated, when they were asked about the factors they think influence the financial performance of SMEs operating in Glenview furniture industry.

Factor 1

Huge number of respondents, highlighted competition as one of the major factors that that influence their financial performance. They stated that competition affects their

sales and the sales have an effect on the finances of businesses. Below are some proofs from the respondents:

“There is too much competition in this area as you can see there many people into furniture here. This affects our sales, we don’t make much sales as the customers are few and we are many. Our expenses tend to be high and income low so this will affect our financial performance.” (interviewee 05)

“We have many people selling same type of furniture and this leads to a case where you might make one sale in a week. The price will be lower for the products as we are too many with same products yet from that one sale you make you have some expenses such as, lunch, transport, wages and raw materials. The finances are not balancing well we usually operate in losses as some times you might have some debts which need to be repaid from those small sales.” (interviewee 22)

Factor 2

From the majority number of the participants responds, financial literacy was among major factors that influence the financial performance of their businesses at Glenview furniture industry. Proof from one the participants is as follows:

“I don’t keep records of my transactions, I just issue out receipts when someone buys. I reached to O level only and didn’t study accounting at high school so, I don’t have the knowledge on how to manage my books to keep track of profits and losses. Most of us don’t have the financial understanding, we just sell to a client then the money is just spent, we lack knowledge on how to manage our businesses and ways to improve financially. If you lack financial understanding you don’t compete much in the market and you make low sales hence, poor financial performance.” (interviewee 13)

Factor 3

Outbreaks of fire was one of the factors most respondents stated as having an influence on their financial performance. These outbreaks greatly affect how they perform financially, they make low sales. Proof from some of the respondents:

“We encounter fire outbreaks more often and this affects our business performances, most of the stock is lost to the fire and we don’t have anything to sell. Without fire outbreaks we wouldn’t lose much of our stocks and we would make more sales and invest in our business to improve our performances. But with these fires mostly we will be covering repairing costs to some damages from the little sales that we make and also covering debts which we would have incurred trying to boost the businesses from the fire.” (interviewee 23)

“I am always moving due to these outbreaks and I lose many customers, if the place is burnt down because you won’t have money to repair, you move to another place that is not occupied and you would have created a name for your businesses but you lose all that because customers will come where they always find you and you will be gone. Sales decreases due to these outbreaks and sometimes you can encounter another outbreak before you have fully recovered from the previous losses so financially you will perform poorly.” (interviewee 03)

4.6 Chapter Summary

All information gathered from surveys and interviews was presented and discussed in this section. Response rate and participants demographic were discussed prior to presenting the study’s findings. Respondents data was presented in tables and charts and SPSS statistical package was used to determine all frequency counts displayed in this section. The coming chapter provides the summary of the findings, some conclusions and suggestions for further research.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Primary research findings on impact of loans from Micro-finance Institutions on financial performance of SMEs in Zimbabwe specifically at Glenview Furniture Industry were discussed in the previous chapter. This chapter provides a summary of

the study and the researcher provides recommendations for areas that can be improved based on study findings.

5.1 Summary of findings

5.1.1 Access to loans from Micro-finance Institutions

The study established that SMEs operating in Glenview Furniture Industry do not have access to loans from Micro-finance Institutions. The results showed that loans from MFIs were not accessible. The results further showed that Micro-finance Institutions do market their products, but to a small extent and the SMEs operating in Glenview Furniture Industry do not apply for loans from MFIs. Additionally, the results showed that to the small portion that apply for the loans, they do not get loans they apply for due to various factors.

5.1.2 Challenges faced on accessing loans from MFIs

The study established that limited collateral, high interest rates and lack of proper bookkeeping were the major challenges that SMEs operating in the Glenview Furniture Industry face when accessing loans from MFIs. The results also showed that the SMEs face challenges of inadequate loan sizes and limited financial understanding to a small extent. From the results there are other challenges discovered that the SMEs face such as lack of insurance, lack of permanent business addresses, fire outbreaks, lack of surety and lack of permanent structures.

5.1.3 Relationship between SMEs performance and access to loans from MFIs

The researcher analyzed that there is a weak positive correlation between financial performance of SMEs operating in Glenview Furniture Industry and access to loans from MFIs. Most of the SMEs do not apply for loans and for those few that apply loans, their financial performance is not influenced by the loans but however, the loans are a burden to them as they fail to repay the loans. Competition and fire outbreaks are the major factors that influence their financial performance. There are many SMEs selling the same stuff hence, lowering of prices and low sales yet higher costs. The SMEs' stock is regularly affected by fire outbreaks hence small profits as the low sales they get covers some damages and some fails to keep the business running. The SMEs

also do not keep proper transaction records so they don't know if they are operating on profit or loss.

5.2 Conclusions

5.2.1 Accessibility of loans from Micro-finance Institutions

It is possible to draw a conclusion that loans from Micro-finance Institutions are not accessible to SMEs operating in Glenview Furniture Industry. We can also conclude that the MFIs market their products, but to small percent and some of the respondents were not aware of MFIs. Also, the SMEs don't apply for the loans and those that apply from the Micro-finance Institutions, most of them don't get the loans.

5.2.2 Challenges faced on accessing loans from MFIs

The study discovered that SMEs operating in Glenview Furniture Industry face many challenges when accessing loans from Micro-finance Institutions. The challenges that the SMEs face includes limited collateral, high interest rates, lack of proper bookkeeping, lack of permanent structures, lack of insurance and lack of surety and fire outbreaks. Challenges like inadequate loan sizes and limited financial understanding they face them to a small extent.

5.2.3 Relationship between SMEs performance and access to loans from MFIs.

In conclusion, loans from Micro-finance Institutions have a small impact on financial performance of SMEs operating in Glenview Furniture Industry. Competition and outbreaks of fire are the major factors that have an impact on financial performance of SMEs operating in Glenview Furniture Industry.

5.3 Recommendations

5.3.1 Building of permanent structures

The government and the relevant ministry must assist with building permanent structures for the SMEs operating in Glenview Furniture Industry. The majority of the SMEs face challenges of lack of permanent business address when they want to apply for loans. The loan agents will not have assurance that the place the SMEs operators showed them is theirs. If the SMEs operates on permanent structures that are

specifically allocated to them, it will increase their chances of getting financial assistance that they seek for.

5.3.2 Reduction of fire outbreaks

Local authorities may assist with examining the causes of regular fire outbreaks at Glenview Furniture Industry and find ways to resolve the issue permanently. Fire outbreaks slows down the businesses' performance of SMEs operating at Glenview Furniture Industry, some SMEs will fail to remain operating after outbreaks as they will not have funds to finance their businesses as their stocks will be burnt. If the issue of fire outbreaks is solved, the businesses performance can be stable and they can be able to expand their businesses and also be able to apply for loans.

5.3.3 Trainings on financial management

There is need for trainings on financial management to SMEs operating in Glenview Furniture Industry. Ministries related to SMEs must create financial management trainings for the SMEs as most of them don't records their business transactions. Most of them don't know actually sales they make and whether if they are operating on a profit or loss basis, they just receive cash from a client and then spend it for consumption and some just buying raw materials. Their businesses do not expand because they don't have funds for investments because they don't spend their earnings properly. Financial management trainings will assist them to record their transactions and keep track of their business's financial performance.

5.3.4 Extension of loan repayment periods

Micro-finance Institutions must extend their loan repayment periods as this pave way for SMEs in Glenview Furniture Industry to invest the funds and gain some profits. Most of SME operators don't apply for loans because they fear that their properties will be taken as they fail to repay them. Their sales are low due to various factors and they don't make sales everyday so they that when the loan agents come for their collections they might not have any money to give them. An extension of repayment periods will attract the SMEs in Glenview Furniture Industry to apply for loans and this will help them to boost their businesses.

5.3.5 Improved access to finance

Government must assist SMEs operating in Glenview Furniture Industry in getting more access to finance. There is little access to finance for SMEs operating in Glenview Furniture Industry and affects their businesses' performance as they don't have funds to support their businesses. When they encounter fire outbreaks, some of them close businesses because they will not have access to the capital to finance their businesses and some of them struggle to get back on track because they don't have funds to support their businesses. If there is improved access to finance some of the SMEs will not have to close and it will also help in the expansion of businesses hence more job opportunities for communities.

5.4 Areas for further study

- ✧ Research could explore into long-term financial sustainability of SMEs in furniture industry after receiving micro-finance loans. This can include tracking financial performance of these SMEs over a certain period to understand the effects of micro-finance support and other factors contributing to long-term financial stability.
- ✧ A study could be done to compare the financial performance of SMEs in furniture industry that have received micro-finance loans and those who have not.
- ✧ Further research could evaluate impact of non-financial support provided by micro-finance institutions, such as mentorship programs, technical assistance and market linkages on financial performance of SMEs in furniture industry.

Understanding the support ecosystem can provide a comprehensive view of factors influencing financial performance.

- ✧ Another research can be conducted to analyze the impact of macro-economic factors, such as inflation rates, exchange rates and government policies on financial performance of SMEs in furniture industry. Understanding how these external factors interact with micro-finance support can provide valuable insights into the overall financial performance of SMEs.

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LETTER OF INTRODUCTION AND SEEKING OF PARTICIPANT'S CONSENT

My name is Varniser Zvovushe I am a Bindura University of Science Education student studying Bachelors of Accountancy. In partial fulfillment of the requirement for this program, I am undertaking a research entitled, “**The impact of Loans from Microfinance Institutions on the Financial Performance of Small to Medium Enterprises in Zimbabwe. A Case of Glenview Furniture Industry**”. You are kindly requested to contribute to this study by answering below questions. You do not have to write your name on the sheet. The information gathered will be treated as anonymous, private and highly confidential.

In case you require any details concerning this study/ questionnaire kindly contact me on: **0777087313**

: zvovushevarniser@gmail.com

Thank you

May you kindly indicate your independent consent to participate by ticking this box.

☐

APPENDIX 2

QUESTIONNAIRE

SECTION A: Demographic Information *Instruction:*

Tick the appropriate box

1. What is your highest level of education

Primary level	<input type="checkbox"/>
Secondary level	<input type="checkbox"/>
Tertiary level	<input type="checkbox"/>

2. How long has your SME been operating in the Glenview Furniture Industry

1-5 years	<input type="checkbox"/>
6-10 years	<input type="checkbox"/>
11-14 years	<input type="checkbox"/>
15+ years	<input type="checkbox"/>

3. How much have been your annual turnover for the past 3 years

\$

4. How many employees are employed at your firm?

Less than 5	
5-10 people	
10-15 people	
15-20 people	
More than 20	

5. What is your legal status

Registered	
Unregistered	

SECTION B: Questions

Kindly use the extent scale below to answer the questions:

(1= Extremely Small extent, 2= Small extent, 3= Moderate extent, 4= Large extent, 5= Extremely Large extent)

1. Access to loans from Micro-finance Institutions	1	2	3	4	5
To what extent are loans from MFIs accessible to SMEs in Glenview Furniture Industry?					
To what extent do MFIs market their loan products to SMEs in Glenview Furniture Industry?					
To what extent do SMEs in Glenview Furniture Industry apply loans from MFIs?					
To what extent do the SMEs get the loans they apply from MFIs?					

2. Challenges faced in accessing loans from MFIs	1	2	3	4	5
To what extent do SMEs in Glenview Furniture Industry face the following challenges:					
I. Limited collateral					
II. High interest rates					
III. Lack of proper bookkeeping					
IV. Inadequate loan sizes					

V. Limited financial understanding					
------------------------------------	--	--	--	--	--

Other

challenges.....
.....
.....
.....

APPENDIX 3

INTERVIEW GUIDE QUESTIONS

1. How would you describe the accessibility of loans from MFIs to the SMEs operating in Glenview Furniture Industry?
2. What are the challenges being faced by SMEs in applying for loans from MFIs?
3. What factors do you think influence the financial performance of SMEs operating in Glenview Furniture Industry?