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Microfinance Accessibility and Small Enterprise Financial Performance: Case of Harare, Zimbabwe

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DECLARATION

I, Norbert Hosho, do hereby declare that this thesis is purely my own work and that it has not been submitted to this university and any other University for the similar purposes. The information borrowed from other sources has been clearly acknowledged and cited.

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DEDICATION

To my family for the continued support during course of this study.

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LIST OF ACRONYMS

AO: Accounting Officer

EDC: Entrepreneurship Development Centre

FPM: Financial Performance Measure

KYC: Know Your Customer

MFI: Microfinance Institution

NGO: Non Governmental Organisation

OLS: Ordinary Least Squares

RBZ: Reserve Bank of Zimbabwe

SE: Small Enterprise

SME: Small to Medium Enterprise

SPSS: Statistical Package for Social Sciences

ZAMFI: Zimbabwe Association of Microfinance Institutions

ABSTRACT

Microfinance Accessibility and Small Enterprise Financial Performance: Case of Harare, Zimbabwe

Introduction

The study derives from the notion that small enterprises (SEs) could be the drivers of the Zimbabwean economy. The research sought to determine microfinance accessibility to SEs, the impact of microfinance on SE financial performance. Furthermore, the research investigated and analysed the moderating factors in the microfinance-SE financial performance relationship, with a view to proposing a suitable conceptual framework for SE microfinancing for MFIs.

Methods

The research employed the mixed methods research strategy. The sampling approaches employed include purposive and systematic random sampling. Questionnaires were used as a data collection tool. The research identified eleven moderating factors in the microfinance-SE financial performance relationship and applied the stepwise regression approach to build the regression models.

Results

The study established SEs' selective demand for microfinance services. It was evident from the study that micro-credit is the most popular and accessible microfinance service. The study found that microfinance has a positive impact on SE financial performance. The results of an analysis of the moderating factors in the microfinance-SE financial performance relationship shows that lack of information access amongst SEs ranked as first followed by lack of collateral, limited training and diversion of loans by SE beneficiaries. Adequate liquidity in MFIs, clear plans amongst SEs and high competition in the market had the least impact. The proposed conceptual framework, implies that SE financial performance can be improved where MFIs are adequately liquidid and have sound client knowlwdge. The SE on the other hand, the SE has to have a good credit record, collateral, proper documentation and financial statements. The framework further implies that for improved SE financial performance; through the use of bankruptcy prediction models; only SEs with remote bankruptcy probabilities deserve microfinancing from MFIs.

Conclusion

The current study concludes that although microfinance has a positive impact on an average SE's financial performance, financial performance measures are not equally improved as a result of accessing microfinance. To ensure improved SE financial performance, MFIs which opt to utilise the proposed conceptual framework for SE microfinancing are highly likely to be more sustainable and the SEs are set to experience financial growth.

Keywords: Microfinance, SEs, MFIs, Financial Performance, Financial Analysis

CHAPTER 1:

BACKGROUND TO THE STUDY

1.0 Introduction

The present study is firmly grounded on the widely established notion that the Small Enterprises (SEs) sector could be the key for unlocking economic emancipation and global competitiveness for developing countries (Muiruri, 2014). Within the Zimbabwean context, the research presumes that SEs could be the drivers of the Zimbabwean economy after many large companies have either closed down or downsized in the past two decades. The study identifies microfinance institutions (MFIs) as a catalyst for the sustainability, growth and development of SEs. It is noted by the researcher, however, that according to global literature, the process of financing SEs has never been easy for microfinance institutions (MFIs).

As the general objective of the study was to relate microfinancing to financial performance within the context of SEs in Zimbabwe, the study was guided by four specific objectives, which finally entailed the development of a proposed conceptual framework for SE microfinancing. The first objective of the study was to determine the accessibility of different MFI services to SEs in Zimbabwe. In pursuit of this research objective, the study primarily established the extent to which SEs in Zimbabwe require the services of MFIs for their operations. The research went further to determine the accessibility of different MFI services to SEs in Zimbabwe taking into cognisance the fact that prior to offering microfinance services to SEs, MFIs undertake strict assessments of the SEs seeking such services.

The second objective of the research aimed at examining how the financial performance of small firms can be influenced by microfinance services offered by MFIs. In particular, the study sought to determine if there is any change to SEs' financial performance after acquiring microfinance from MFIs. The third objective was to ascertain the moderating factors in the microfinance-SE financial performance relationship in Zimbabwe; and the last objective entailed the development of a conceptual framework for SE microfinancing cognisant of the moderating factors in the microfinance-SE financial performance relationship.

1.1 Background of the Study

Beck (2013) reiterates that microfinance has existed for centuries in Africa and around the world. Alhassan, Hoedoafia and Braimah (2016) concur with Beck (2013) and further assert that everyone, no matter how poor, needs and uses financial services all the time. There are many global examples of the history of microfinance, ranging from informal, small-scale, rotating savings and loans clubs in England, Ireland, and Germany during the eighteenth century. According to the African Development Bank (2006), in Nigeria for instance, microfinance goes back to the fifteenth century and was carried from there to the Caribbean by slaves. Microfinance mainstreaming, formalisation and recognition as part of the formal financial sector began to gain momentum in the late 1990s throughout Africa.

In Zimbabwe, microfinancing has been mainly done by fully-fledged microfinance institutions (MFIs) over the years, but this has since changed as banks and other insurance companies are also incorporating microfinance divisions within their operations. This could be attributed to the huge opportunities that exist in Zimbabwe for microfinance institutions to replicate the success of those in other markets and build large and scalable operations. A study carried out by Machingambi (2014) reveals that MFI growth in Zimbabwe has remained stagnant since dollarisation, characterised by poor performance. Opportunities in the Zimbabwean microfinance industry have not yet been fully exploited, as compared to other emerging markets in the region. The same author also envisaged that there is still need for MFIs to build large and scalable operations. Many MFI's have succumbed to capital erosion and liquidity pressures since dollarisation.

A Zimbabwe Association of Microfinance Institutions (ZAMFI) (national microfinance apex association) research suggests that currently all MFIs combined barely serve 80,000 small and medium enterprises, while operating capacity among MFIs has fallen to between 20% and 30%. Seventy percent of MFIs have fewer than 10 employees, and over 95% of MFIs have fewer than 10 branches.

The Reserve Bank of Zimbabwe noted that as at 30 June 2017, loans to the productive sector amounting to $167.84 million represented 73.15% of the sector's total loans. The graph below shows the trend of growth of licensed microfinance institutions from 2003 to 2015.

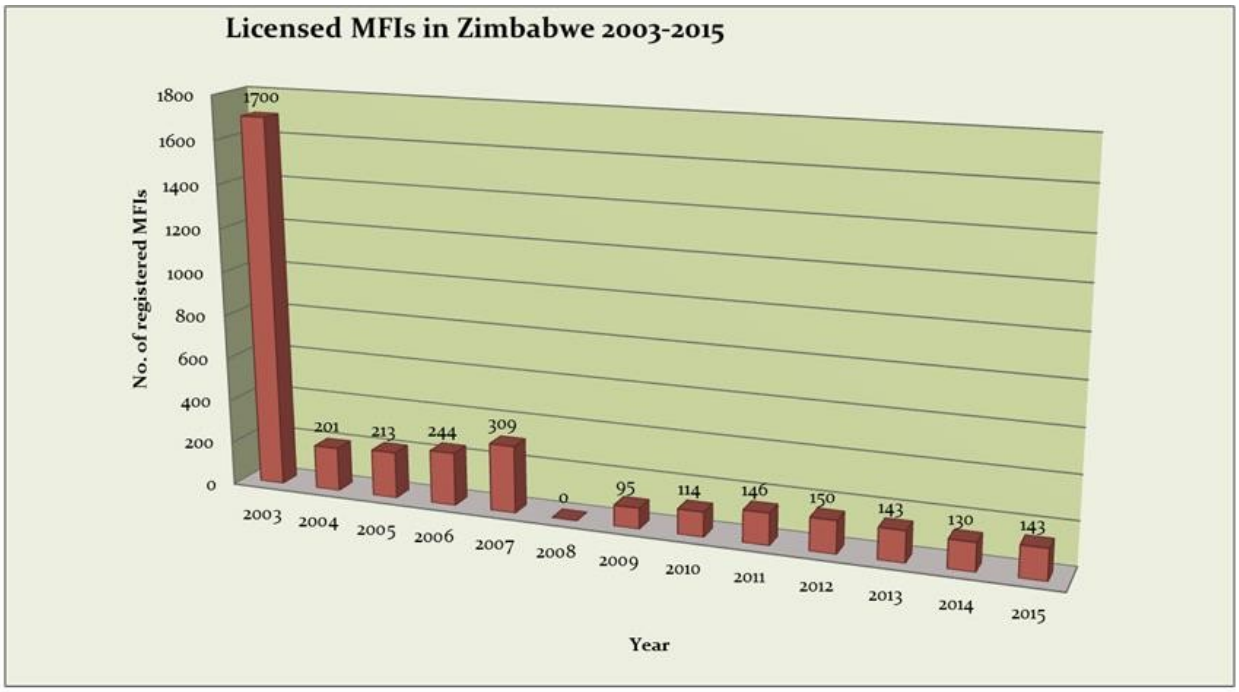

Figure 1.1: Licensed Microfinance Institutions in Zimbabwe (2003-2015)

Source: ZAMFI (2016)

As a way of exploiting the opportunities in the microfinance sector, several banks and insurance companies have since incorporated microfinance divisions within their operations.

The term 'performance', as widely referred to in both academic and scientific literature refers to the extent to which companies accomplish their objectives. In the views of authors such as Kotane (2015), business performance indicators take two forms; financial and non-financial indicators. That is, a well performing business not only improves on its financial position and profitability, but also improves on customer satisfaction, internal business processes and employee innovation and learning, among other dimensions of organisational performance. A critical evaluation of business performance measurement practices among large and small firms worldwide reveals a contemporary trend of blending both financial and non-financial business performance measurement techniques in monitoring performance (Jordão and Almeida, 2017).

The present study is however premised on the view that although both financial and non-financial performance measures are fundamental for small enterprises, for the SEs under study (all of which are indebted to MFIs), it would be worthwhile to focus primarily on financial performance. Financial performance is considered important as it relates to the SEs' financial

dimensions such as profitability, liquidity and financial position.

The study is firmly grounded on the idea that microfinance institutions (MFIs) could be drivers of financial performance in small enterprises (Muiruri, 2014). Like in any other country in the world, SEs in Zimbabwe have the propensity to serve as sources of livelihood to the poor, create employment opportunities, generate income and contribute to economic growth. The term 'Small Enterprise' according to the Zimbabwe Revenue Authority (ZIMRA)'s definition of a small company, means an enterprise with six to forty employees, annual turn-over of United States (US)$50 000 to US$500 000 and assets valued at between US$50 000 to US$1 million. Major industries in Zimbabwe have since either shut down or downsized their operations, throwing thousands of skilled labour and professionals onto the streets.

Matamanda and Chidoko (2017) found that despite the increasing roles of SEs in Zimbabwe, access to financial services by SEs has been singled as one major constraint. Over the years, the Zimbabwean government has however instituted institutional and policy reforms favouring SEs, particularly with regards to the flow of financial resources to the enterprises. Empirical studies from Zimbabwe and abroad reveal that microfinance institutions have been among the different financiers of SEs. As at 31 December 2017, there were 189 MFIs duly licensed by the Reserve Bank of Zimbabwe. In the view of Ozioko (2010), the licensing of MFIs by central banks is meant to ensure financial inclusion; that is, enabling those entrepreneurs not serviced by mainstream financial institutions to access financial services for the betterment of their operations. Nonetheless, there has not been enough evidence as to whether the central objective of improving SE financial performance is being achieved by those SE benefiting from the services of MFIs, particularly microcredit. In light of the foregoing, the study sought to examine the impact of microfinance on SE financial performance as measured using different financial analysis techniques.

Kamara and Adedapo (2017) assert that small enterprises sector could be a possible catalyst for economic emancipation in developing countries. The present research postulates that Zimbabwe is no exception. It therefore follows that the financial wellbeing of small enterprises is of utmost significance in the Zimbabwean economy. Good financial performance depicts any company's wellbeing. According to Cantele and Zardini (2018), a company that is financially sound has bright prospects for sustainable operations, growth and development. In most African economies,

small enterprises constitute a significant proportion of the private sector (Page and Söderbom, 2015).

In the Zimbabwean context, small and medium enterprises constitute the greater part of the private sector than the large companies, owing to both downsizing and closure of large companies since the turn of the millennium (Matamanda and Chidoko, 2017). However, just like the large companies, small enterprises have never been without operational constraints. Key among them has been access to finance and related services. Small enterprises have had limited access to finance since time immemorial. This thus inhibits small enterprise growth and development. Mainstream financial institutions such as commercial banks have always offered inflexible credit terms with a repulsive effect on start-ups and small enterprises at large. Commercial banks typically insist on collateral, credit history, financial statement and banking history. Most of these requirements have since impacted negatively on small enterprises legibility for microcredit (Yoshino and Taghizadeh-Hesary, 2015).

Thus, over the years, small enterprises would end up relying on unpredictable sources of finance such as family capital and loans from friends. Researches on small enterprise financing, for example Yoshino and Taghizadeh-Hesary (2015), seem to conclude that small enterprises have a very high default risk hence their access to finance remains low. The SE financing constraint has seen a number of microfinance institutions coming up with microfinance services tailor made for small enterprises in Zimbabwe. But existing literature has it that globally; the MFIs' journey towards sustainable SEs has never been easy-going. Thus, although several authorities have concluded that microfinance is a possible key for unlocking small enterprise financial performance, there remains some substantial complexity in the process of financing SEs for enhanced financial performance, growth and ultimately development (Arena, Bengo, Calderini and Chiodo, 2018).

1.2 Statement of the Problem

Small enterprises the world over serve as sources of livelihood to the poor, create employment opportunities, generate income and contribute to economic growth. In the Zimbabwean context, these enterprises have become the cornerstone of the economy as major industries have shut down or downsized their operations, throwing thousands of skilled labour and professionals onto the streets. Despite the increasing roles of SEs in Zimbabwe, access to financial services by SEs

remains one of the major constraints. Access to microfinance is considered to be an important factor in determining the performance of small enterprises.

Microfinance is one of the financial services that are expected to promote SEs financial performance. Despite the proliferating of microfinance institutions that provide microfinance credit in Zimbabwe, majority of SEs do not perform well. The current study therefore finds it imperative to find out the extent to which SEs in Zimbabwe actually have access to loans and other services rendered by MFIs, as well as to investigate the contributions of these loans to SEs' financial performance. A thorough review of literature shows that on SEs performance and microfinance has indicated that majority of the studies applied a single measure to explain the SEEs performance. Moreover, a single item cannot adequately measure performance since it is a multi-dimensional factor.

Considering that several authorities (for example, Lopatta and Tchikov, 2017) cite MFIs as potential contributors to economic development in developing countries such as Zimbabwe, it also becomes worthwhile to look empirically into the challenges befalling MFIs in their endeavour to support SE development in Zimbabwe; as well as to contribute to the body of knowledge by developing an MFI conceptual framework for SE microfinancing. A sound microfinancing framework is presumed to ensure financial sustainability for both MFIs and SEs (Bayai, 2017)

1.3 Research Objectives

The research questions emanated from the research objectives outlined below.

1.3.1 General Research Objective

The general objective of the research is to determine the role of MFIs in promoting SE financial performance in Zimbabwe.

1.3.2 Specific Research Objectives

The general research objective above was broken down into the following specific objectives:

1. To determine the accessibility of different MFI services to SEs in Zimbabwe;

2. To establish the impact of microfinance on SE financial performance in Zimbabwe;
3. To analyse the moderating factors in the microfinance-SE financial performance relationship in Zimbabwe;
4. To develop an SE microfinancing framework for MFIs in Zimbabwe.

1.4 Research Questions

To achieve the research objectives outlined above, the research was guided by the following questions:

1. To what extent are SEs able to access microfinance services in Zimbabwe?
2. How does microfinance impact on SE financial performance?
3. What are the moderating factors in the microfinance-SE financial performance relationship in Zimbabwe?
4. What SE microfinancing framework can be adopted by MFIs in Zimbabwe?

1.5 Significance of the Study

This study has been motivated by the notion that microfinance could be a key for SE development especially in developing nations such as Zimbabwe. There has been downsizing and closure of big companies in Zimbabwe such as Tregers Industries, Dunlop and Unilever amongst others. This has seen the emergence of SEs and the setting up of small to medium enterprises to fill the gap. The closure and downsizing of companies has led to job losses and this has had a direct impact on the proliferation of micro entrepreneurs and small to medium enterprises. The micro and small to medium enterprises have provided employment opportunities for households and provided goods and services to the nation. Thus it should be imperative to research on the impact of microfinancing particularly in the context of small enterprises and the nation at large. The research will also enlighten both prospective and existing entrepreneurs who have not been accessing microfinance on the benefits as well as challenges associated with microfinance services.

The research is anticipated to be beneficial to the entirety of MFIs in Zimbabwe and beyond, especially with regards to the management decision of granting micro-finance services to SEs. The study will also expose the vast financial services opportunities available to MFI's in

Zimbabwe given the emergence of the micro and small to medium enterprises. The Government of Zimbabwe is striving to replicate economic models of the Asian tigers in particular China and India whose manufacturing and service provision is heavily reliant on small to medium enterprises. Thus the future of Zimbabwe's industry according to current policies and thinking in government lies in micro and small to medium enterprises. This provides immense potential for well-endowed MFI's in terms of capital to explore and exploit this business opportunity. The relevance of SEs can be seen by the trend in the banking sector where either standalone MFI's owned by the banks or units servicing this sector have been established. Micro King is one example of a stand-alone MFI born out of the now closed Afrasia Bank. Others such as ZB Bank and CBZ bank have fully fledged units serving this market segment.

Microfinance helps poor households meet basic needs and is associated with improvements in household economic welfare and enterprise stability and growth. By helping the marginalised amongst them women, microfinance promotes gender equity and household wellbeing. This helps distribute economic resources and wealth to the vulnerable groups in society. Micro Finance Institutions therefore help the government to meet one of its primary objectives of looking after the wellbeing of its citizens especially of the poor. With unemployment estimated at over 80% in Zimbabwe, this study amongst others will provide the government with empirical literature to facilitate the enunciation of policies that increase financial mediation of MFIs and in the process capitalise small enterprises.

This study provides a platform from which the interested stakeholders are regarded as the drawing board for different purposes. First and foremost, the academic fraternity is one key beneficiary of this research. The study will add value to the university's library where other students will use it as reference and guideline in carrying out similar studies. The study results are an important reference for others who may wish to carry out further research on MFIs and SEs. The study builds on the existing body of literature and knowledge.

Finally, the study enables the researcher to gain invaluable research experience and aids in appreciating the operating environment of microfinance institutions and small and medium enterprises.

1.5.1 Contribution of the Study

The research contributes immensely to the body of knowledge by proposing a conceptual framework for SE microfinancing after an analysis of the moderating factors in the microfinance-SE financial performance relationship.

1.6 Delimitation of the Study

The research is confined to MFIs and SEs in Harare. The study period spans from January 2015 to June 2019. Conceptually, the study focuses on the impact of microfinance services on the financial performance of SEs in Zimbabwe. The impact is not however confined to the period of study, but spans over the years in which the respective SEs have been accessing microfinance. The researcher would have loved to study MFIs and SEs scattered in the whole country of Zimbabwe in order to have a holistic approach to the study. He however found it impossible due to lack of financial resources and also the limited timeframe of the study; and hence the study was carried out in Harare and the research data was gathered from selected SEs from the different sectors of the economy. The findings of this study can be interpreted within the context of the country.

1.7 Definition of Key Terms

Microfinance

Microfinance is taken in this study to refer to an array of financial services, including loans, savings and insurance, available to poor entrepreneurs and small business owners who have no collateral and wouldn't otherwise qualify for a standard bank loan (Muiruri 2014).

Micro Finance Institutions (MFI)

A micro-finance institution is taken in this study as an institution duly registered and licensed by the Reserve Bank of Zimbabwe to conduct the business of microfinance in Zimbabwe.

Micro credit

Microcredit refers to a service being provided predominantly for meeting working capital needs of small businesses and infrequently for medium and long term needs.

Micro deposit

These are deposits placed with the micro finance institutions.

Small Enterprises (SEs)

A small enterprise (SE) for the purpose of this study is one with six to forty employees and annual turnover of US$50 000 to US$100 000.

Financial Performance

This is a measure of how the company utilises its resources to yield returns for the investor(s). Financial performance is viewed in terms of profitability, financial soundness and efficiency of operations.

1.8 Organisation of the Rest of the Study

Chapter 1-Background to the study

The chapter introduced MFIs and their role in fostering the growth and development of small enterprises. The chapter discussed the statement of the problem as well as the research questions, objectives, rationale and scope among other issues.

Chapter 2-Literature Review

This chapter focuses on the review of literature related to the area of study. This chapter is the theory part of the study, which illustrates findings obtained from past academic studies with regards to microfinance and its impact on organisations. The chapter discusses types of services offered by MFI's in Zimbabwe and the impact of the services thereof on small enterprises' financial performance and organisational development. The challenges and ways of improving service delivery by MFI are also reviewed.

Chapter 3-Theoretical Framework

This chapter looks into the theoretical framework upon which the present study is grounded. The theoretical framework provides evidence of academic standards and procedure. It also offers an explanation of why the study is pertinent and how the researcher expects to fill the gap in the literature.

Chapter 4-Research Methodology

A detailed discussion of the research methodology and its justification is presented in this chapter. The discussion is centered on how the research was carried out and the methods used to collect, analyse and record the data. The methods of selecting the respondents and the specific instruments used are also presented in this chapter.

Chapter 5-Data Presentation, Analysis and Discussion

This chapter presents research findings on the extent to which SEs in Zimbabwe require the services of MFIs for their operations. In this chapter, the researcher goes further to present and analyse the accessibility of different MFI services to SEs in Zimbabwe; as well as the extent to which Zimbabwean SEs are able to access microfinance services, cognisant of the fact that prior to offering micro-credit and other microfinance services to SEs, MFIs undertake strict assessments of the SEs seeking such services.

This chapter documents research findings on how the financial performance of small firms can be influenced by microfinance services offered by MFIs, that is to determine if there is any change to SEs' financial performance after acquiring microfinance from MFIs. The study further develops the proposed conceptual framework for SE microfinancing, with a view to improving the financial performance of SEs in Zimbabwe and abroad. The framework becomes one of the prominent features in this chapter.

Chapter 6-Summary of Findings, Conclusions and Recommendations

This chapter presents the summary of findings, conclusions and recommendations from the study for consideration by microfinance institutions, small enterprises, the Government of Zimbabwe as well as future researchers. The conclusions feature the major summaries that were established during the study as guided by the research objectives and research questions.

CHAPTER 2:

LITERATURE REVIEW

2.0 Introduction

In the preceding chapter, the researcher introduced the study. This chapter is aimed at reviewing literature pertaining to the role played by MFIs in enhancing growth and development of SEs. According to Saunders and Thornhill (2007), the aim of literature review is to position the research within the context of the already well- known information on a given theme. It seeks to show the ways in which benefits could be derived from the work in a study. In this chapter the researcher seeks to trace the historical development of micro financing, the challenges facing the micro-finance institutions in their operation and their contribution towards the growth and development of SEs.

2.1 Microfinance and its importance

Microfinance has been touted in contemporary literature as an important ingredient for SE development and more precisely, authorities such as Obokoh, Monday and Ojiako (2016) reiterate that the microfinance market is important to poor economies, where there is high unemployment and high poverty levels. In the views of Mtemeri and Nhamo (2019), Zimbabwe is typical of such an economy; and thus the need to examine in the Zimbabwean context how SEs are either consistent or inconsistent with such literature with regards to their requirement for the various forms of microfinance services.

Elifuraha, Jianzhong and Kiptoo (2016) further assert that within the context of poor economies, the poor whose personal economy is small by every measure, with very little or no income at all, are considered costly to service and too risky a market for banks who then design products beyond the reach of the poor and low income people. The end result will be the exclusion of these poor from the mainstream financial market. Financial exclusion means that the poor cannot borrow or save small amounts (Ahn, 2019). This inevitably means that they are in turn, also often permanently excluded from the labour market.

In most poor countries, the formal and the informal sectors are noticeably working parallel to each other (Sinclair, 2017). An argument can be put forward that, the formal sector hosts formal labour markets, often accommodating only a small percentage of the country's population in formal employment. Hulme and Arun (2009) believe that the formal financial markets dominated by the conventional banking sector support the formal sector. On the other hand, the informal sector is where those who are not fully or partially incorporated into formal employment structures make efforts to improve their living. According to Murisa (2010), they sometimes comprise up to 80% of the country's population but are excluded from the formal financial systems because they are considered unbankable. As a result, the informal sector has to rely on other, also informal, sources for money. These may include neighborhood and kin networks, moneylenders and private loaning agent.

According to Hulme and Arun, (2009), the poor also resort to self-employment efforts in the informal system through running self-help income generating projects. The projects are usually capital intensive and hence the inevitable need for capital. Thus the projects end up requiring microfinance services. If they fail to access credit and saving facilities, hopes for self-improvement and poverty relief would remain a distant dream to them. Efforts to provide financial services to the poor are often left to NGOs and other pro-poor practitioners who experiment with different services, since banks may find it difficult to serve this market. The researcher feels that the role of MFIs in promoting small enterprises cannot be over-empasised.

2.2 Demands for Financial Services by SEs

According to Klinkhamer (2009), One of the fundamental aspects and most demanding task of developing a sound financial sector strategy is the ascertainment of the demand for the various types of financial services needed by the households with low income SEs. Notwithstanding that, recently, noteworthy advances have been made in developing proxy indicators for demand, by way of measuring effective access to and use of financial services, as well as measuring how people manage their money and the driving force behind their financial behaviour. Klinkhamer (2009) indicated that such research in markets in South Africa has enabled a robust segmentation of the financial market in terms of access and attitudes to financial services, ranging from those who have full access to those who have no access at all. According to Abdul (2011), a leading organisation in the type of research for microfinance has undertaken several surveys in many countries in Southern and East Africa**.** The following sections focus on

the demand for loan products, savings, insurance, money transfers and leasing.

2.2.1 Loan Products

According to Matanda and Matanda (2019), microcredit is considered as being prevalent in low-income households in Zimbabwe. It encompasses the small loans that are offered to poor people who have hitherto been excluded from formal financial services. It often ranges from group and individual business loans to consumption loans for low income employed populations. In actual sense microcredit clients by their nature lack sufficient collateral therefore micro lending becomes contingent on unconventional guarantees such as social collateral or movable assets. Ernest and Young (2006) reveal that the National Microfinance Survey and Proposed Legal and Regulatory Framework, which the Reserve Bank of Zimbabwe (RBZ) (2005) commissioned, established that the need for loans for funding business, education, food and shelter was prevalent**.**

Klinkhamer (2009) notes that in the aforementioned survey by the National Microfinance Survey and Proposed Legal and Regulatory Framework, only 10% of manufacturing, commercial and services SEs had access to loans in 1998, 4.2% from family/friends, 1.4% from formal credit sources, 1.1% from so-called microloan programs, and the rest from other sources. He further states that it was found that formal credit seldom went to women and the microloan programs, on the other hand, primarily served women. The percentage of SEs with access to credit was roughly the same among agriculture and mining SEs (10.8%), but varied widely per activity. Among cotton growers, 35.7% had received some sort of credit, while 16% of maize and multiple crop owners had, too. Conversely, people who were operating in cattle, poultry as well as mining had less chances of accessing credit. This is clearly due to the asymmetric information problem, which occurs when one party to an economic transaction possesses greater material knowledge than the other party. This normally manifests when the seller of a good or service has greater knowledge than the buyer, although the reverse is possible. Almost all economic transactions involve information asymmetries.

2.2.2 Savings Products

Micro-savings are defined by Ouma, Odongo and Were (2017) as deposit services that give an opportunity to savers with low- income to preserve small amounts of money they can use in

future. According to Ouma et al (2017), households are able to open savings accounts to save often without minimum balance requirements to cater for unforeseen expenses as well as planning for future investments. Savings opportunities may be offered by formal, regulated institutions, such as commercial banks, or by informal, member- owned and managed institutions, such as Rotating Savings and Credit Association (ROSCAs) as well as MFIs divisions within banks and insurance companies (Ngoasong and Kimbu, 2016)

2.2.3 Leasing Products

Micro leasing, according to Gutierrez, Klepikova, and Levitanskaya (2019) is a medium to long-term financing deal for acquisition of production equipment or business assets by micro-entrepreneurs. Micro leasing separates use of an asset from its ownership (Gutierrez et al (2019). Micro leasing is based on the business philosophy that profits are earned through use rather than ownership of production equipment or business asset (Musacchio, Lazzarini, Makhoul and Simmons, 2017). In a micro leasing arrangement, the lessee generates extra income from the use of leased assets and the lessor receives income while retaining the security of ownership (Musacchio et al, 2017). Thus, through micro leasing, low- income people with limited capital can acquire new production techniques through use of equipment they otherwise would not have.

Zimbabwe used to have a number of finance houses whose activities were mainly concentrated on offering asset-based instruments in the form of hire purchase and lease hire advances to the corporate world and individuals (Chowa, 2017). Chowa (2017) further notes that in the area of agricultural processing, the absence of micro leasing makes it difficult for businesses to acquire larger machinery or equipment. As such, it appears that there is room for micro leasing, potentially in conjunction with training and other business support services in developing SEs in productive sectors.

Masiak, Block, Moritz, Lang and Kraemer-Eis (2019) argue that there is limited information on the demand for micro leasing and the leasing market at large. Masiak et al (2019) further posit that the number of finance houses that used to exist indicates leasing is a service that has traditionally been in demand in Zimbabwe. Among the microfinance service providers, CBZ Bank has felt that there is a market for micro leasing; as such, they have already embarked on a pilot project in the dairy sector.

2.2.4 Non-Financial Services

Finally, financial literacy is an issue for micro-enterprises, particularly in the rural areas, though many entrepreneurs have learned a lot during the past few years, they have always been faced with an extremely hostile business climate (Moyo, 2018). As such, financial training would be a valuable intervention, in addition to providing financial services. Such an intervention could possibly be done in coordination with donor projects offering other types of training to entrepreneurs and farmers.

2.3 Types of services offered by MFIs to SEs in Zimbabwe

According to the propositions of Elliot, Ngugi and Malgwi (2018), the microfinance sector has long been product driven, therefore client needs, as distinct from accessing credit, were imperfectly catered for. Elliot et al (2018) went on to note that coming to the modern-world microfinance, it is important that MFIs shift from the previous state of affairs, of being product driven, and become market driven. This assists in the firms' ability to take into consideration the escalating level of intricacy in the recipients' needs. Machingambi (2014) maintained that financial services targeting low-income clients, hitherto, had an implication of providing microloans for the purposes of improving small businesses. It can be noted from his propositions that clients in modern microfinance are not only the poorest of the poor, but also encompass the class of all the victims of financial exclusion. Trezza (2009) added her voice by propounding that the poor individuals need not only productive loans, but also further financial services, which go a long way in meeting their specific needs. Such financial services include credit products, saving services, payment services together with insurance services amongst others.

2.3.1 Credit Products

According to Kusi, Yussif and Ismail (2019) the most predominant credit products in microfinance are microcredit, micro leasing and micro venture capital. First and foremost is microcredit. Robinson (2007) describes microcredit, as a service being provided predominantly for meeting working capital needs of small businesses and infrequently for medium and long term needs. The repayment periods for the loan vary from weekly or monthly and at times six months to 18 months in rare cases.

On the other hand, micro leasing is another credit product. According to Pascoe (2018) , leasing is a relationship subsisting between two parties, the lessor and the lessee, governed by the law of contract. The lessor is the party who owns the asset and makes it available for another person, the lessee for business or personal use (Pascoe, 2018). The lessee is the part who obtains credit from the lessor by way of using an asset without an outright purchase of the asset. The lessee is bound to make payments for the use of the asset called lease rentals usually at regular intervals. Tyson and Griswold (2019) envisage that micro leasing gives an opportunity for low-income clients to access use of an asset without having to tie up funds equal to the whole value of the asset. This may be possible since the asset being leased remains the property of the lessor for the entire lease period though it may be under the possession of the lessee.

Tyson and Griswold (2019) assert that the leasing contract has the purpose of sustaining financial requirements that arise due to the decision to make an investment. The ultimate need for the contract is from the availability of an asset important to the lessee and coincidentally in a suitable location to the needs of the client. It can be deduced from the foregoing discussion that micro leasing provides an opportunity for the low-income clients and SEs to use an asset that they would not be able to acquire from their personal savings and the revenue generated from the operations of the SEs.

Robinson (2009) argues that some would-be entrepreneurs die with ideas in their brains, and the goal of their hearts, which would have contributed positively towards the economy, is never attained due to lack of sufficient funding. New firms and some already established firms might need funding for research and development, product development amongst other uses(Johnson, 2018). Micro-venture capital has been thought of as going a long way in promoting the growth of SEs. It is argued by Vento and La Torre (2006) that micro-venture-capital has its roots in traditional finance and it is involved with the provision of funding to those micro-businesses in their starting up stages. The aim is to provide a backup for the development of such micro-businesses in their medium and long term. There is therefore an element of risk sharing between the lender and the business in its startup phase.

Prange and Heracleous (2018) posit that startup projects are renowned for their associated high risks of failure following numerous unforeseen circumstances as well as the unpredictability,

which underlies their operations. Most entrepreneurs are those who have failed to secure formal employment, and have not yet experienced the challenges faced in the corporate world; they lack experience and skills derived from such experience and such risks make them unattractive for formal institutions (Bygrave and Zacharakis, 2004). Bygrave and Zacharakis (2004) further assert that if a project is successful after benefiting from micro- venture capital the risk capital that would have been repaid is made available for new microfinance ventures being supported by the donor. Accordingly, it is evident that venture capital, or risk capital to be more appropriate, is especially suitable for programmes that provide funding to the marginalized and underprivileged members of the populace.

2.3.2 Saving Service

It is argued by Tadesse (2019) that the collection of savings from clients, individuals and businesses, by MFIs endows them with an important tool that assists in attaining sustainability. Saving mobilisation provides the MFIs' clients with an opportunity to access resources for financing the growth of the loan portfolio, which goes a long way in making the MFI independent from grants as well as donor or external funding (Tadesse, 2019). According to the propositions of Tadese (2019), saving services are crucial as they assist in ensuring that the poor together with the financially excluded members have access to the much-needed finance for funding emergencies and meeting anticipated costs. Such costs may include costs aligned to education, marriage formalities, old age and even death itself. Accordingly, saving is important because in some cases income generated by the operations of the micro business is not certain or regular and this normally acts as an impediment to the smooth progression of micro business. Thus it is necessary that an MFI be in possession of some cash as buffer to cater for some unforeseen circumstances. This may be possible by keeping amounts for those who want to save their money for future use.

2.3.2 Insurance Product

According to Mukherjee and Das (2018) micro-insurance products are destined to some extent for catering for uncertainty and its effects, since it is indisputable that the poor are more vulnerable to risk. It follows that the poor's vulnerability should be catered for with the aid of microfinance products, which include health and life insurance, insurance for livestock and crops, as well as compulsory insurance against defaulting in loan repayments. Allen and Overy

(2012) maintain that the need for health and loan insurance originates from the desire by customers with low income of limiting and covering for the risk in the event of death or loss of assets. Micro-insurance is important to the financially excluded since it helps the disadvantaged in times of need including the cases of natural disasters like droughts and flooding, health problems of the recipient and those dependent on him, or loss of livestock and all other farm produce.

2.4 Microfinance Accessibility

Empirical studies on microfinance accessibility have been carried out in several countries and the table below summarises some of the researches.

Table 2.1: Empirical Studies on microfinance accessibility

Author(s)	Purpose	Methodology	Country/Place	Findings
Woldie, Mwita and Saidimu (2012)	This research article was centered on a research studying the challenges of microfinance accessibility by SMEs in Tanzania.	A survey research method was adopted using primary and secondary data from a purposively selected sample of SME operators.	Tanzania	The empirical evidence gathered shows that the financial sector has failed to sufficiently extend microfinance facilities to SMEs due to high transaction costs, lack of collaterals, inadequate skills in developing and managing bankable projects.
Ali, Abu-Hadi and Ali, A., (2013)	This paper investigated the accessibility of microfinance for small businesses in Mogadishu. The main objective of	Purposive sampling technique was employed in selecting the 100 Small businesses that constituted the	Somalia	The study established that small businesses in Mogadishu are facing challenges to access loan from MFIs and as a result, many small business fail

	the study was to examine the challenges facing by small businesses in accessing microfinance services in Mogadishu.	sample size of the research. To achieve the objectives of this study, data was collected through questionnaire instrument.		prematurely, or may not be started due to lack of ability to overcome the challenges.
Obokoh, Monday and Ojiako, (2017)	The paper explored the extent to which current microfinance lending impacts on indigenous SME access to finance and how the intermediation services of the microfinance banks (MFBs) contributed to or otherwise to the development of SMEs. .	A total of 800 such indigenous SMEs were identified. However, data were obtained from 300 of the identified indigenous SMEs from a questionnaire survey in four states (provinces) within the country that make up the Niger Delta region.	Nigeria	The result shows positive contribution of microfinance lending to the development of such enterprises. However, it appears that a number of factors including cumbersome process, poorly packaged business plans and perceived high cost of credit still limit the access of indigenous SMEs to credit
Nyanzu and Quaidoo (2017)	This paper examined the link between access to finance and SMEs functioning in Ghana.	The study resorts to the World Bank Enterprise Survey data released for Ghana (2013);	Ghana	Using chi-square, logit and ordered logit analysis, it finds out that access to credit is a major constraint of SMEs in Ghana with

				implications for their functioning and growth.
Pranata and Nurzanah (2018)	The paper investigated determinants of Indonesia's microfinance credit disbursement, case taken from Indonesia's rural banks (BPRs), which primarily focus on providing funding to the Micro and Small Enterprises (MSEs).	The study applied Autoregressive Distributed Lag (ARDL) model by using monthly data over the period of January 2009 to January 2016.	Indonesia	Results indicate that rural banks credit disbursement is more determined by demand side rather than supply side as variable representing demand side (production index) has significant effect to credit disbursement both long run and short run. In terms of supply side, the amount of credit disbursement is affected by interbank fund in the long run, whereas in the short run the significant variables are customer fund and internal fund. In addition, Consumer Price Index (CPI) and Non-Performing Loan (NPL) impose significant effect to the microfinance credit disbursement; yet, interestingly, interest

				rate is not a significant factor in microfinance's case.
Sesekiziyivu, Bananuka, Nabeta and Tumwebaze (2018)	The purpose of this study was to investigate the contribution of borrowers' characteristics and credit terms on loan repayment performance of MFIs in rural areas of Uganda.	This study is cross sectional and correlational. Data were collected through a questionnaire survey of 51 MFIs in Uganda.	Uganda	Results indicate that there is a significant relationship between credit terms and loan repayment performance among clients of MFIs unlike borrowers' characteristics. This study's regression model predicts 16% of the variance in loan repayment performance of MFIs in rural Uganda.
Wellalage and Locke (2017)	This study investigates gender balance in the credit market for small and medium enterprise (SME) finance in South Asia.	The study used data sourced from World Bank Enterprise Surveys.	South Asia	Using IV-probit estimation the study established that enterprises owned by female entrepreneurs are on average 3% less likely to be credit constrained compared to their male counterparts.

Source: Author's Own Analysis (2019)

After a critical evaluation of the literature, the research gathers that small enterprises in different jurisdictions face diverse challenges due to differing contextual circumstances.

2.5 Performance measurement

The term 'performance' as widely used in literature in the business context describes the outcomes of a business enterprise (Geissdoerfer, Vladimirova and Evans, 2018). Other authors view performance as unreal, for instance Neely (2007). The authors' argument is that performance is not objective, that is considering how it is measured and evaluated using different approaches and techniques. According to Monge (2016), every business enterprise prioritises the accomplishment of specific objectives and therefore the organisation's performance is measured according to its set goals and set targets.

After extensive review of academic literature on the nature and significance of performance measurement, the researcher deduces the major trends relating to the subject. First, the objectives of performance measurement have gone dynamic. This has seen a paradigm shift from internal objectives (focusing on the inside of the organisation) to those focusing on the company's strategic direction. On the other hand, the performance measurement techniques have also changed. There is a major shift from focusing on financial indicators of business performance to a hybrid of both financial and non-financial indicators, which ushers in a balanced performance measurement methodology.

2.5.1 Small enterprises and framework for performance measurement

In 1980, economic value added (EVA) was developed as the maiden performance measurement model, albeit it was specifically suitable for large companies (Meyer, 2003).During the second half of the 1990s, studies on small enterprise performance measurement emerged.At the dawn of the 21st century researches on small enterprise performance measurement took two directions as follows: (1) Adopting those performance measurement models originally developed for the large companies and (2) developing specific performance measurement models designed for SEs (Taticchi, Tonelli, Sameh, and Botarelli, 2008).

Empirical studies on small enterprise performance measurement have been carried out in several countries and Table 2.3 below summarises some of the researches. Other researchers opt for a more comprehensive performance measurement framework, which incorporates several dimensions. For instance, Australian researchers Watts and McNair-Connolly (2012) propose a three-dimension small business performance pyramid, which encompasses

sustainability, productivity/flexibility, and liquidity. Bianchi, Cosenz and Marinković *(*2015) on the other hand assert that small enterprise performance measures ought to incorporate both financial and non-financial measures in three dimensions namely competitiveness, financial, and social.

2.5.2 Performance Measurement: Financial Analysis

Financial analysis entails the examination of a business from a range of perspectives so as to fully comprehend the greater financial status and determine ways of strengthening the business (Carton, 2010). In the view of Carton (2010), a financial analyst would focus on a number of aspects of the enterprise, that is, profitability, financial position (stability), solvency as well as liquidity. It therefore follows that financial analysis is more centered on the financial perspective than any other perspective such as the customer, internal business processes and innovation. The financial analysis process can conveniently be broken down into a number of phases during which the financial analyst would access different sources of information and have different output objectives as follows:

Table 2.2: The financial analysis process

Phase	**Source of information**	**Output**
1. Define the purpose and context of the analysis	• Nature of analyst's function, eg. Issuing a credit rating • Communication with client or supervisor • Institutional guidelines for developing a specific product	• Statement of purpose or objective of analysis • A list of specific questions to be answered by analysis • Nature and content of the report • Timetable and budget
2. Collect data	• Financial statements, other financial data, questionnaires, industry and other economic data • Discussions with management, suppliers,	• Organised financial statements • Financial data tables • Completed questionnaires

	customers and competitors • Company site visits	
3. Process data	• Collected input data is subject to analysis tools (giving processed data)	• Adjusted financial statements • Common-size statements • Ratios and graphs • Forecasts • Analytical results
4. Analyse/interpret the processed data	• Input data as well as processed data	• Analytical results
5. Develop and communicate conclusions and recommendations	• Analytical results and previous reports • Institutional guidelines for published reports	• Analytical report answering questions posed in phase 1 • Recommendations regarding purpose of the analysis
Follow-up where on-going analysis required	• Information gathered by periodically repeating above steps	• Updated reports and recommendations

Source: Investopedia (2017)

2.5.3 The Financial Performance Measures (FPMs) monitored by SEs

The researcher examined in literature, how SEs monitored the various measures of financial performance, particularly after acquiring microcredit. Naude (2007) established that the firms they studied showed that they had very limited or no knowledge of performance measurement frameworks. Naude (2007) says the firms did not give priority to performance measurement since the benefits associated with the practice are less than the costs involved in using the resources required to do so. Neely (2007) agree with Naude (2007) that small enterprises do not

monitor their financial performance. The reasons noted are varied, ranging from lack of knowledge to less benefits than costs associated with monitoring the financial performance.

It is essential for managers and directors of SEs to realise the prominence of performance measures. (Wouters 2009; Gunasekaran and Kobu 2007). It is critical to comprehend measures that are implemented and to utilize performance measures effectively to enable smooth operation, review and redesign of new processes and systems should there be a need (Akyuz and Erkan 2010). The implementation of performance measures should be regarded as a decisive step towards a successful manufacturing business that requires a maximum functioning capacity of automated systems that enable frequent reporting devices (Matsoso and Benedict, 2016). In addition, a manual performance measurement system may be used to some degree to examine individual performance. However, individual performance may be automated for easy referral and updates on the development. These measures may also be evaluated at strategic, tactical and operational levels (Matsoso and Benedict, 2016).

Maduekwe and Kamala (2016) had a study to determine the types of performance measures employed by SEs, purpose for which performance measures are used, perceived effectiveness of performance measures used and factors that may inhibit SEs from financial performance measures. Maduekwe and Kamala (2016) above say:

"The results of this study show that most of these entities used both financial and non-financial performance measures, however, financial performance measures were used more frequently than the non-financial ones. Of the financial performance measures, the most popular ones were sales growth, cash flows, operating income and net profit margin." (page 57)

Table 2.3: Empirical evidence on Performance Measurement

Author(s)	**Purpose**	**Methodology**	**Country**	**Findings**
Taticci et al (2008)	Contributing to knowledge on sustainable supply chain performance measurement	Use of citation and co-citation analysis techniques.	Italy	The field of research was still at its infancy, but was fast growing.

	(SSCPM).			
Bianchi et al (2015)	To illustrate how a performance management approach based on system dynamics modeling can improve effectiveness of business monitoring.	A Case study approach was used.	Italy	The proposed approach was found useful in enhancing an understanding of the causes and effects in relation to adopted policies, undertaken actions and targeted outcomes.
Maduekwe and Kamala (2016)	To identify and determine the effectiveness of the diferent types of performance measures employed by small enterprises.	Data was collected using a questionnaire and analysis was done using descriptive and inferential statistics.	South Africa	Most of the sampled SMEs measured performance using both financial and non-financial measures. The performance measurement reports generated by the SMEs were found useful for the businesses.
Sousa and Sampalo (2005)	To examine the application of performance measures in SMEs	Survey method was used; the questionnaire was the key research instrument.	Portugal	Various performance measures were applied by the SMEs.

Jamil and Mohamed (2011)	To develop a modified performance management system for improved performance measurement in SMEs	A critical review of related literature.	Malaysia	The missing link was the integration of measurement and management. The proposed framework integrates the two.

Source: Author's Own Analysis (2018)

The researccher finds that the current performance measurement approaches fall short on particularly with regards to the performance measures to predict any possible bankruptcy of the enterprise.

2.6 Impact of services offered by MFIs on SE development

Every firm aims to make profits and later expand or grow its operations. A firm is an administrative entity with legal existence or framework capable of expanding with time due to the collection of physical resources, both tangible and intangible (Nahamya, Ajanga, Omeke, Nasinyama and Tumwine, 2013). According to Penrose, quoted in Yenawine (2015), a firm can be defined in terms of an increase in size or other objects, which can be quantified.

2.6.1 Small Enterprise Growth

The growth of a firm is dependent on the supply of capital or finance, labour and proper management together with profitable opportunities for investments. Efforts by various parties; the state, voluntary organisations and the corporate world to name a few, to support small businesses in less developed countries are not new. According to Cook, cited in Chirkos (2014), previous support mechanisms centered on direct assistance programs that are normally initiated by state or parastatal agencies and other government arms. Nonetheless, earlier efforts in most cases aimed at institutional environments for small-scale enterprises proved to be largely divorced from common industrialisation policies that were laid down in development plans.

Recently, there has been the emergence of a more complex picture of the extent, range and underlying rationale for support mechanisms. Nahamya et al. (2013) succinctly note that apart from continuing support to micro enterprises that were set in place to moderate the restraining operational environment that has historically developed, a newer focus for support is currently being emphasised. They further noted that there is an emergence of evidence showing a trend inclined to the development of a multidimensional support network, which ranges from government policies to microfinance interventions by non-governmental organisations.

The growth of a firm is determined by the availability of resources for the firm. There is need for business development services or enterprise development services or non-financial services which can be provided by some MFIs who adopt the integrated approach. Ledgerwood, Earne and Nelson (2013) posited that non-financial services provided by MFIs include; marketing and technology services, business training, production training and subsector analysis and interventions. Enterprise development services can be put in two categories: the enterprise formation services and enterprise transformation program. Nahamya et al. (2013) postulated that enterprise formation focuses on the provision of training to persons so that they may acquire skills in a specific sector like farming and to persons contemplating starting up their own businesses. Enterprise transformation programmes focus on the provision of technical assistance; training and technology so as to enable already established SEs to advance in terms of production and marketing.

At this juncture it is worth noting that enterprise development services are not a prerequisite for one to access financial services, therefore they are offered for a fee. However, the government or an external party subsidizes charges made since it will be impossible for the MFI to recover the full cost in providing the services (Nahamya et al., 2013). The enterprise development services are meaningful to a large extent for businesses; only that the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. Little or no difference may be noticed between enterprises receiving credit alone and those receiving both credit packages and integrated enterprise development services (Ledgerwood, et al, 2013).

2.6.2 Impact of MFI products and services on SE Growth

The institutional framework within which SEs interact with MFIs, the government, NGOs including donor agencies and other service providers can have a profound influence on a SEs

economic and noneconomic performance. According to Mnenwa and Maliti (2009), education, motivation, sources of startup capital together with technology are some of the socio-economic factors that can positively impact on profit margins as well as employment creation. The possibility of small firms to contribute to poverty reduction objectives is largely vested in the capacity of the SE institutions to provide the needed education, incentives, employment and capital.

According to the propositions of Babajide (2007) MFIs can provide their clients, men and women living below or slightly above the poverty line, a number of products and services. Financial services are the most prominent. MFIs often render financial services to their clients in the absence of tangible assets as collateral security. Clients of this nature mostly live in the rural areas and most of them are illiterate, such that formal financial institutions do not often provide these services to them even for starting their informal businesses due to the perceived risk. The clients normally request small loans and the financial institutions find it difficult to access information from these clients because they are illiterate and may fail to express themselves. Difficulties are also faced in accessing their collateral (farms) following the distance involved and resultantly, the cost to lend a dollar becomes very high.

The provision of access to credit can be very important in increasing the growth of SEs. There is a potential for credit to augment income levels, increasing employment and as a result eradicating poverty. It is widely held that access to credit assists poor people in overcoming their liquidity constraints. They may therefore be able to undertake some investments like improving farm technology inputs and this leads to increased agricultural production (Heidhues, Rady and Strack, 2015). Navajas and Tejerina (2011) note that the main objective of microcredit is to improve the welfare of the poor due to better access to small loans which formal financial institutions do not offer. On the contrary however, some authorities cite the possibility of making the borrowers worse off when the credit is misapplied and the borrower fails to pay.

According to Morris, Santos and Neumeyer (2018) inadequate access to credit by the poor just below or just above the poverty line normally has negative impact on SEs. The poor would not be able to conduct any business with theses SEs, as they do not have the requisite funds, therefore the SEs would not be able to get or increase their revenue. Access to credit further increases an SE's risk-bearing abilities; improve risk-copying strategies as well as enabling its

consumption smoothing overtime. Financially sustainable MFIs with high outreach have a greater livelihood and also have a positive impact on SE development as they provide guarantee for sustainable access to credit (Rhyne and Tanaya, 2014)

Nisser and Ayedh (2017) propound that microfinance can assist in improving or establishing family enterprise, possibly making the difference between poverty alleviation and economically secure life. On the other hand, Kimenyi and Wieland (2019) maintain that microfinance tends to stabilize rather than increase income and tends to preserve rather than to create jobs. This study established that credit might not be an effective tool for assisting the poor out of their poverty and it might also fail to enhance their economic condition. It also concluded that the poor are too poor as a result of some other impeding factors like the lack of access to markets, price stocks, unequal land distribution but not lack of access to credit. The prevalence of such a phenomenon in Zimbabwean SEs becomes a subject for the present study.

The economic environment of the rural poor comprises several interlocking markets: for agricultural produce and for agro-inputs; for production support (agricultural extension) or financial services; for information; for assets, including land and water; for labour; and for food and other consumer goods. The terms upon which the rural poor enter and participate in such markets are sometimes inequitable. Many of the poor are currently passive participants, often obliged to sell low (immediately after harvest) and buy high, with little choice of where they conduct transactions, with whom, and at what price. With the liberalisation of domestic markets and the globalisation of international markets, these markets have become more open, with more choices, but also complex and uncertain.

Hulme (2009) conducted a study, which concluded that there is a tendency for household income to increase at a decreasing rate as the debtor's income, and asset position is improved. Of the same view is Seng (2018) who argues that that microfinance does not have any significant effect on household income, which meant no effect on SE development. A series of studies have been carried out throughout the last decade, which sought to assess the impact of microfinance employing quantitative method of analysis. Disagreements and debates ensued if a close analysis is made on the literature results. Armendariz de Aghion and Morduch (2005) are of the view that much of the disagreement emanates from the different degrees to which numerous scholars have controlled for problems, in their studies, that are now accredited as affecting impact assessments,

that is, nonrandom program participation, nonrandom program placement as well as nonrandom dropouts

Weiss, Montgomery and Kurmanalieva (2003) conducted a review of the evidence of the microfinance impact on poverty in Asia. Subsequently, Weiss and Montgomery (2005) updated the aforesaid review making use of data from Latin America. A review of more "rigorous studies" was carried out in which they focused on data gathered using quantitative method of analysis. They did not include researches conducted using participatory or qualitative approaches.

According to the summary provided by Weiss and Montgomery (2005), whilst it is widely held microfinance services clearly may have positive impacts on poverty and SE development, chances are high that it is not the simple panacea for reaching the core poor and promoting growth of small enterprises. It is notable that reaching the core poor is not an easy process. Also assistance to SEs in their early stages is not an easy go as well. Both ventures are difficult to reach with conventional financial instruments and they are notorious for being associated with high risk, which makes them unattractive microfinance clients.

Meyer (2003) conducted a study in which he surveyed data from Asian countries and reached a similar conclusion to that of Weiss and Montgomery (2005). The study by Meyer established that access to microcredit has an overall positive effect on income and education, but despite that the outcome may be substantially different across countries and programs in magnitude and statistical significance as well as robustness.

Thus these studies concurred on the fact that the growth of microfinance is another solution to the quest for attaining poverty reduction. In these studies evidence was also found of positive spillovers to those who did not participate in the MFI programs in the villages. Foremost, microfinance initiatives were found to be an effective alternative to addressing material poverty, the physical deprivation of goods, services, and the income to attain them.

On the other hand, another study by Coleman (2006) was conducted and the sample was broken down into general beneficiaries and committee members, and results were that the earlier sighted insignificance was limited to general beneficiaries. In this later study, a positive impact was found among committee members who received access to financing. Montgomery (2005) made

estimates using data from Pakistan and found that there is a mild significant impact on per capita food expenditure in the months following lending money to the beneficiary. Nevertheless, access to microcredit failed to yield a significant impact on nonfood expenditure. This was mainly attributable to MFIs decision to target women. This was found to be less philanthropic as it first seems.

A thorough search of literature reveals that the decision to focus on women has some obvious advantages. The lower mobility of women may be a plus because they are less likely to 'take the money and run.' Additionally, women have fewer alternative borrowing possibilities than men and would be more dependent upon microfinance (Morduch, 2005). Targeting women may have more "to do with the ease of disciplining" with the goal of higher repayment rates (Brigg, 2006). Kabeer (2008, pp. 206) finds that women are frightened or more afraid of not repaying the loan because they fear the shame and criticism of failing to repay.

There is a relatively large argument in the microfinance literature that microfinance is a method of capitalistic accumulation. As Keating, Rasmussen, and Rishi (2010, pp. 153) explain, capitalistic accumulation is "a set of processes by which new subjects are brought into the structure of capitalism in exploitative and often violent ways." As neoliberal policies, structural adjustment policies, for example, became pervasive women were disempowered and moved into the precarious informal sector. Microfinance appeared to be a movement that focused uniquely on serving women.

Fernando (2006a, pp. 24) explains,

> *"The framing of gender relations in the discourse of empowerment through microfinance appeared as a sound compromise for feminists concerned with both gender inequalities and capital to achieve their respective goals"*

and,

> *"…microcredit proved to be an instrument of building worldwide consensus between not only between feminists with different ideological perspectives on empowerment, but also between them and the governments, World Bank, and commercial banks."*

However, this harmonising of feminisation and development institutions was ill fated if women have not been empowered. The notion of empowerment that microfinance promotes "rests on the capitalist and masculinist assumption that the market is an arena of free action, whereas the compulsory nature of work and the tendency of that work to be physically and mentally draining means that many women experience the market as coercive" (Keating et al., 2010, pp. 156). Brigg (2006, pp. 77) identifies a statement made by Muhammad Yunus as evidence for a neoliberal approach to development. Yunus states, "Grameen literally runs after poor women who are terribly alarmed at the very suggestion of borrowing money from the bank…". Grameen tries to convince them that they can successfully run a business and make money." This statement, according to Brigg, illustrates the creation of demand for loans as local people needed to be convinced of their need for credit. Furthermore, microfinance makes the poor responsible for their poverty and reduces the use of redistributive approaches (Brigg, 2006, pp. 79). Microfinance has contributed to an increase of poor women as debtors, labourers, and consumers.

MFIs offer credit to poor women "under conditions that few affluent individuals would find acceptable" and they do so on a long-term basis (Keating et al., 2010, pp. 158). Microfinance expands the reach of the financial services industry, for although microfinance was started with the claim of going outside the formal sector, microfinance is a formal sector in itself. The work of women is often in vulnerable, informal sector work, and "microcredit lending programs have, in many cases, reinforced traditional gender structures in spite of shifting economic relationships within households" (Keating et al., 2010, pp. 166). Women are often expected to be rational economic actors while still maintaining their traditional role in the household.

Bebczuk and Haimovich (2007) conducted a research making use of survey data on poor households obtained from numerous countries in Latin America. The results were that credit significantly increased labor income, statistically and economically. It was also noted that as a result of access to credit, there was an increased hourly labor income of poor individuals in contrast to that of similar individuals who do not have access to credit by 4.8 times. No doubt the impact was sensitive to the size of the loan.

2.6.3 Microfinance and SEs: Summary of Empirical Studies

Table 2.4 below summarises some of the recent studies, which investigated the contributions of microfinance to small enterprises.

Table 2.4: Empirical evidence on the contributions of microfinance

Author(s)	Purpose	Method	Country	Key Findings
Pei-Wen, Zariyawati, Diana-Rose, and Annuar (2016)	The study sought to to explore the effect of microfinance facilities on SMEs in Malaysia.	The study gathered using questionnaires distributed to the owners of SMEs which fell into a microenterprise category in the Klang Valley.	Malaysia	Regression results reveal that microfinancing has a significant effect on SMEs' incomes.
Chimaleni, Muganda and Musiega (2015)	The researchers sought to determine the effect of sources of business financing on the financial performance of Small and Medium enterprises in Lurambi Sub-County. Specifically, the study sought to determine the effect of commercial loan-financing on the financial performance of Small and medium enterprises.	Descriptive survey was used. The population of interest comprised of 450 small and medium enterprises in Lurambi Sub-County. Stratified random sampling was used to select 88 small and medium enterprises. The survey instrument used was questionnaires which were administered to owners and managers. Analysis of data was done	Kenya	The study established that, sources of business financing affected financial performance of small and medium enterprises significantly; commercial loan financing affected financial performance significantly.

		using descriptive and inferential statistics.		
Haider, Asad, Fatima and Abidin (2017)	The study was aimed at finding the difference in certain performance indicators of MSEs whose owners had been given training against those whose owners had never been given any kind of training.	Survey research was conducted and a sample of 384 MSEs was selected on simple random basis.	Pakistan	The findings revealed that all the performance indicators including sales increase, income increase, assets increase, employment increase, and meeting household expenses have shown a significant difference among the two groups.
Mokua and Ndede (2017)	The research study objective was an evaluation of micro-credit finance and financial performance of Small and Medium Enterprises (SMEs) Nakuru County, Kenya.	The research adopted a descriptive research design. The study used a sample of 106 respondents out of whom 65 responded.	Kenya	The study established that increase in interest rates affected the financial performance of SME's to a great extent. The study also established that strict credit policies affected access to credit thus affecting the financial performance of SME's.

				Also, income level of entrepreneurs affected the financial performance due to inability to finance the accessed credit.
Nahamya et al (2013)	The study sought to establish the impact of microfinance service delivery on the growth of SMEs in eastern Uganda.	The study employed both quantitative and qualitative data analytical methods, and a multiple regression was run to estimate the effect of socio-economic characteristics on the SMEs' growth, while a logit model was used to assess the constraints to access to microfinance products in Uganda.	Uganda	The findings indicate that although the MFIs have performed below a set standard on average due to some industry wide challenges, they have had a significant impact in linking SMEs and the poor to sources of credit and contributed to their growth in terms of growth of business capital and stock accumulation.

Source: Author's Own Analysis (2018)

A closer look into the major findings from the empirical studies tabulated above reveals that microfinance brings many positive outcomes to small enterprises. The SEs enjoy increased income, market share and assets. Product innovation and market excellence also result from access to microfinance services.

2.7 Microfinance and SE Performance: Further Analysis

Although there are numerous assertions with regards to MFIs such as their duty in assisting marginalised members of the populations, they are prone to some challenges in their operations. These challenges can be overcome in many cases but they are inevitable, therefore careful attention is needed. According to Moss, Neubaum and Meyskens (2015) information asymmetry poses risks to MFIs, which leads to adverse selection and moral hazard effects. In a world with fixed transaction costs and information asymmetries, small firms with demand for smaller loans face higher transaction costs and face higher risk premiums since they are typically more opaque and have less collateral to offer. Several authorities such as Beck and Demirguc-Kunt (2006) as well as Coad and Tamvada (2012) find that the higher financing impediments faced by SEs indeed translate into slower growth. Solli, Galindo, Rizzi, Rhyne, and van de Walle (2015) are of the view that once the client has the funds at his or her disposal, MFIs may have to struggle so as to ensure repayment of the money.

Shen and Reuer (2005) well articulate that adverse selection is a challenge posed by information asymmetry prior to a deal. Cowling, Liu and Zhang (2016) purport that the aforementioned scenario is prevalent in Small to Medium Enterprises (SMEs) lending whereby the borrower deliberately furnishes the financial institution with wrong information in concerted efforts to acquire a loan. Prior studies have exposed creative accounting and related fraudulent behaviours in Zimbabwe, for instance, Hosho, Matowanyika and Chinoda (2013). Thus, an entrepreneur may window dress his or her accounts so as to portray a healthier appearance of the profitability position and the financial position. This may be accomplished by way of inflating sales figures, profit levels and asset values as well as hiding his or her other liabilities. Accordingly, the inflated figures place the loans officer in an adverse selection dilemma, as they will be revealing a healthier financial position of the enterprise or project than the authentic state of affairs.

Tirole (2010) contends that the adverse selection difficulty pushes away noble ventures, thereby creating a ‘market for lemons’ in the lending books of MFIs. In a move taken for cautionary purposes, it has become common practice for MFIs to shift their focus from SE financial accounting information to the Know Your Customer (KYC) principle. With this approach, the much impeding collateral requirement is normally done away with. However, Araujo, Ferreira and Funchal (2017) maintain that collateral puts the lending institution in a better position, since

there will be a way of recovering its amount in the event of default in repayment.

MFIs are further constrained by an unfavourable regulatory environment, deficient capabilities, lack of coordination and teamwork and also the absence of an explicit framework or set of standards for categorising the potential microfinance beneficiaries. As noted by Mohapatra and Kumar (2014), most MFIs lack the essential networks with mainstream financial establishments; they also lack enough skills, proficiency plus capital. In the view of Sloan (2013), the art of starting and operating an MFI entails beyond loan disbursement. The MFI rather needs to be sustainable and lucrative too. Authors such as Addae-Korankye (2014) underscore the need for engaging experienced and skilled people that are capable of assessing, approving or in some cases declining facilities, as well as offering advice to clients.

Basu (2006) asserts that most MFIs struggle with very high operating costs due to vast numbers of loan applications, which need to be processed, apt management and also maintenance. An additional challenge, which is considered cancerous by several authors, is that of loan defaults. Loan defaults negatively influence the feasibility of MFIs. According to Zottel, Zia and Khoury (2016), non-repayment of loans by borrowers discourages MFI employees and subsequently some other valuable potential borrowers end up being disadvantaged as they may fail to access funds. Another view, particularly in the Zimbabwean context, is that MFIs' high lending rates remain prohibitive, leading to adverse selection (Karedza and Sikwila, 2016). Thus, as a result of adverse selection, cash flow challenges continue obstructing the growth of MFIs.

DeNisi and Smith (2014) argue that management performance and skills are closely related with the firm's financial performance. The author maintains that better results can be achieved where the management team has the four traits of management, which are the leadership, technical, organisational and communication skills. Hosho, Muguti and Muzividzi (2015) seem to concur with Hudson (2006) as they propose a portfolio of measures to contribute towards an integrated model for sustainable compulsory entrepreneurial education across the Zimbabwean education system. If the measures are fully implemented, then the majority of start-ups and other SEs will have fully knowledgeable and capable management teams.

Neubauer and Lank (2016) envisaged that besides extending microfinance to an enterprise as an ingredient for the enterprise's growth and development, one other imperative constituent is good corporate governance could assist in improving the performance of a firm as well as ensuring its

survival in the long term. It is therefore imperative for SEs to ensure that corporate governance structures are properly established.

After a thorough analysis of the literature, we conclude that the complexity of promoting SEs through microfinance is three-fold. The contributing factors fundamentally fall into one of the three categories namely, MFI specific, SE specific and general factors.

2.8 Improving MFIs' microfinance service delivery to SEs

Following the challenges faced by the MFIs, it is crucial that an exploration of ways to improve their performance be conducted. Seibel (2007) notes that a closer look into history reveals that regardless of the type of institution, ownership, and rural or urban sphere of operation; for MFIs to be prosperous and accomplish their goals, ultimately they have to:

- Mobilise of their own resources by way of savings and equity, amplified by other domestic resources;
- Ensure loan recovery;
- Ensure operational income cover their operational costs (Operational sustainability);
- Finance growth and expansion from profits;
- Acquire an appropriate legal status; and
- Ensure submission to appropriate regulation and supervision.

It is worth noting that charity has no place in microfinance. Seibel (2007) notes the words of one contributor to the SFD, who said,

> *"In a situation where there is no strict supervision and monitoring… working without any hard budget constraints and mixing microfinance business with charity, (will lead to) crowding out the operations of more sustainable rural financial intermediaries."*

Those contemplating MFI business must focus on sustainable financial institutions with sustainable financial services. They should combine credit with savings as a service to customers and as a source of loanable funds, as this assist the MFI in disengaging itself from credit-only business provided through projects and programmes. Any MFI or any financial institution

seeking to attain sustainability must: mobilize their own resources, apply appropriate lending technologies, provide attractive loan products with appropriate interest rates, have their loans repaid, manage their risks and finally make a profit. They also ought to finance the growth of outreach from the growth of savings and profits apart from depending on external support. Efforts should also be devoted to the advocacy and strive for a conducive policy and legal environment.

2.8.1 Sustainable MFI operations

In general sustainability entails that an organisation is able to incessantly conduct its activities and services as is expected, in pursuit of the statutory aims. According to Khandker, Samad and Badruddoza (2017), this depicts that a sustainable MFI is one that is able to continue its operations as a development financial institution for the financially excluded. Most MFIs are now viewing their financial services as profitable business ventures; therefore it is imperative for them to constantly keep an eye for probable ways of cutting costs so as to operate profitably as well as enhancing their economic viability.

MFIs in their desire to assist as many poor members of the populace as possible; in their quest to fight the global poverty in the long run, it is apparent that this can only be accomplished on a sustainable and efficient basis, as distinct from depending on subsidies. As distinct from the general perception that sustainable MFIs are destined to be commercial companies that are profit driven, almost two-thirds of the sustainable MFIs comprise of Non-Governmental Organisations, cooperatives, public banks, or other non-profit-making organisations (Achola, 2017) In order to fully grasp the relationship between the profitability and sustainability of MFIs, ratio analyses are utilised for this purpose.

2.8.2 Operational Sustainability

Operational sustainability involves the idea of operational self-sufficiency (OSS), necessary for gauging revenue from operating activities as a percentage of operating and finance costs, and this includes loan loss provision cost as well. Churchill and Frankiewicz, (2006,) note that where this ratio exceeds 100per cent, it's an indication that the MFI has managed to recover all of its costs from revenue generated by its own operations rather than relying on contributions or subsidies

for survival. Generally OSS takes into account all the cash costs of running a MFI, as well as non-cash costs such as depreciation and the loan loss reserve.

Pathak (2018) indicates that at times donors may not include the cash expenses of raising finance in their analysis since inclusion of such expenses will portray a gloomy image on the operations of MFIs that access funds from the commercial financial markets and pay the cost of capital when compared to MFIs that relies on donor capital. This is necessary since donor fund dependent institutions have different finance expenses from commercial MFIs. In actual fact Operational sustainability refers to the ability of an MFI to maintain its OSS. In order for an MFI to maintain its viability and expand their operations further, it is of paramount importance to achieve OSS.

2.8.3 Financial Sustainability

Financial sustainability depicts the capability of covering all expenses on an adjusted basis and it is an indication that the firm is able to operate without continuing subsidy or losses. The UNCDF (2009) differentiates financial self-sufficiency (FSS) from OSS by mentioning the element of an adjusted basis. Adjusted basis entails presentation of the way in which MFIs would look like on an unsubsidized basis where it has raised finance on the commercial market; inclusive of adjustments for inflation. The FSS indicator seeks to gauge the extent to which an MFI recovers adjusted operating costs from adjusted operating income.

According to Ledgerwood et al (2013) the FSS indicator need also to indicate if the firm has earned sufficient revenue to cover direct expenses and indirect expenses. Direct expenses would include finance costs, provision for loan losses and operating costs whilst indirect expenses include the adjusted cost of capital. Since it is a fact that donor support is not unlimited in real life; microfinance's financial viability is vital for expansion and reaching large numbers of the world's poor.

Bayai (2017) argues that this is an indication that financial services should be priced, at levels that enable covering of costs and to ensure that the MFI does not vanish when donors or governments decide to withdraw their support. It is imperative that MFIs should cover both operational and financial costs so as to remain in the market in the long run. If they are able to cover financial costs they will have an opportunity to access the capital markets when in need of

capital which assist the MFI to expand their loan portfolio as well as their clientele outreach. Galbraith (2017) notes that MFIs should seek to serve their poor customers best through sustainable operations, as distinct from accumulating losses requiring persistent infusions of unpredictable subsidies. Pathak (2018) indicates that there is no guarantee that commercial debt and subsidies are always available since microfinance services and the unsecured lending to the poor are persistently perceived to be too risky by commercial banks

Dichter and Harper, (2007) note that there is estimation that out of the MFIs across the globe, which approximates 10000, only 3 to 5 per cent have attained full financial sustainability. This is a very small percentage, which can be attributed to the high interest cost, which exacerbates the asymmetric information problems, that is adverse selection and moral hazard. The situation is worsened by the fact that there is still an enormous vacuum between the supply and demand of micro financial services and in the long this cannot be met by MFIs, which are unsustainable. It is determined that as a rule of thumb, those MFIs generating losses yearly in the range of 5 per cent are likely to be unsustainable (Babajide, Taiwo and Adetiloye, 2017). According to Babajide et al (2017), it has been established that generally sustainable MFIs are larger than those that are unsustainable. So it is imperative to consider the number of borrowers or the size of the loan portfolio when ascertaining the sustainability of a MFI.

To sum up on the sustainability status of MFI, for a MFI to operate viably by generating profits so as to improve the value of shareholder investment while simultaneously expanding, there are certain basics that should be met. The basics include ability to administer interest rates that recover costs, management commitment and acceptable cost cutting strategies. This assists the MFI in borrowing funds from commercial sources at the same time mobilizing deposits. Asian Development Bank, (2013) states that if all is said and done increase in outreach to a larger number of clients is witnessed.

2.9 Summary

The literature review provided the evolution of microfinance and MFIs as well as the importance and relevance of MFI in Zimbabwe. The demand for financial services was also considered together with the types of services offered by MFIs in Zimbabwe. The chapter considered the impact of services offered by MFIs on SE development. Consideration is also given to the challenges faced by MFIs and the possible ways of ensuring an improvement in their

performance. The following chapter looks into the theoretical and conceptual frameworks upon which the present study is grounded.

CHAPTER 3:

THEORETICAL FRAMEWORK

3.0 Introduction

In the preceding chapter, the research focused on the review of literature related to SE microfinancing and organisational performance. This chapter looks into the theoretical framework upon which the present study is grounded. As stated by Grant and Osanloo (2014), "Without a theoretical framework, the structure and vision for a study is unclear, much like a house that cannot be constructed without a blueprint. By contrast, a research plan that contains a theoretical framework allows the dissertation study to be strong and structured with an organized flow from one chapter to the next." The theoretical framework provides evidence of academic standards and procedure. It also offers an explanation of why the study is pertinent and how the researcher expects to fill the gap in the literature.

3.1 Schumpeterian Theory on SE growth

The present study is informed by a number of theories but in particular, the Schumpeterian Theory on SME growth by Schumeter (cited by Muiruri, 2014) made the greatest contribution in informing the present study. The theory provides for the role of entrepreneurship as well as the seeking of prospects for innovative value and the generation of activities capable of expanding and transforming the circular flow of income. This is by way of risk taking, pro-active actions by the management of the enterprise together with innovation aimed at cultivating opportunities by way of intellectual capital of the entrepreneur in the exploitation of potential profits and development.

By making an explicit distinction between physical and intellectual capital, and between saving, which makes physical capital grow, and innovation, which makes intellectual capital grow, the Schumpeterian growth theory goes beyond economic theory (Muiruri, 2014). It makes a deduction that innovations steered by profit driven companies bring about technological progress and that it incorporates what was termed "creative destruction" by Schumpeter. This means each innovation aims to generate some new product or process capable of providing its creator with a competitive edge over its other businesses. This may be possible when a business renders

obsolete previous innovations; and it is also inevitable that someday it will be rendered obsolete by future innovations (Schumpeter, 1934).

This neoclassical view is challenged by the endogenous growth theory which makes a proposition for channels by which the rate of technological progress, which influences to a large extent the long-run rate of economic growth can be greatly affected by economic factors (Muiruri, 2014). It emanates from the fact that technological progress is possible by way of innovations, in the form of new products, processes and markets, of which most of them emanate from economic activities. For instance an improved pace of economic activity can improve the pace of innovation through providing firms with more production experience since business entities learn how to efficiently produce commodities from their experience.

According to Muiruri (2014), many innovations emanate from Research and Development expenditures conducted by firms driven by a desire to make profit. He went further and noted that economic policies affecting competition, trade, taxes, and education together with intellectual property greatly influence the rate of innovation as they affect private costs and benefits of doing Research and Development. According to Schumpeter, cited by Akdere and Benli (2018), economic behaviour is to some extent automatic in nature and is more likely to be standardised.

Entrepreneurship was cited as consisting of engaging new things in a new manner whereby innovation is a crucial value. The fact that economics focuses on the external influences over firms, Schumpeter was of the view that change may occur from the inside after which it would go through a business cycle for the generation of real economic change. Schumpeter believed that what motivates an entrepreneur is the quest for power together with independence and the will to succeed as well as the personal satisfaction from accomplishing great things (Akdere and Benli, 2018)

3.2 Developments in the Theory on SEs

Over the past 50 years, the world has witnessed unprecedented growth in the conceptualisation of the key issues, which relate to the SE sector as well as the consequent theoretical work. Chief of the theories is the labour surplus theory dating back to the seminal work by Ranis (2004). Excess labour, according to Rannis (2004), refers to labour performed in excess of the labour

necessary to produce the means of livelihood of the worker. The author argues that the driving factors behind the development of SEs is excess labour supply, which could not be absorbed by large private enterprises or the public sector; therefore would be compelled to be engaged by the SEs regardless of low productivity and poor pay (Kessy and Urio, 2006). Consequently, development in the SE sector is as a result of escalation in unemployment levels. The researcher strongly considers this school of thought as a true representation of the obtaining phenomenon in the Zimbabwean context.

Thus SEs come in handy with answers to those who fail to be engaged by the formal sector. It has generally been observed that the growth in SEs is widespread in periods of crisis, where contraction of the formal sector is witnessed or where the formal sector's growth is too sluggish that it cannot absorb the labour force (Muiruri, 2014). Arguably, development in the formal sector results in contraction in the SE sector and consequently, an anti-cyclical relationship continues with the formal economy.

3.3 Approaches to Microfinance Institutions (MFIs)

Although the primary objective of MFIs has traditionally been the provision of basic financial services to the financially excluded, a thorough search of literature reveals that microfinance can be viewed from different dimensions and perspectives. Robinson (2007) asserts that the most known approaches in microfinance development can be categorized as (1) business vs. developmental approach and (2) poverty lending vs. financial system approach. Both approaches share the goal of making financial services available to poor people throughout the world.

According to Ayelech (2010), the business approach primarily focuses on organisational achievements such as repayment, cost recovery and profitability. Hence, the MFIs' concern is how to develop the industry rather than how to develop the community. On the other hand, the development approach emphasises more on how the client is doing rather than profitability. Supporters of this approach argue that the client should participate in awareness and capacity building programs before applying for loans. Therefore, the development approach places emphasis not only on the building of institutions; but also empowering the poor people to get the most out of the services delivered.

Ayelech (2010) above also describes the poverty lending approach as one that focuses on

poverty reduction through credit and other services provided by institutions that are funded by donor and government subsidies. A primary goal of this approach is to reach the poor especially the poorest of the poor with credit. Saving is not a significant part of this approach. The poverty lending approach was first realized in Grameen Bank in Bangladesh. It has wide outreach to poor borrowers. But the approach requires large amounts of continuing subsidies and does not meet poor people's demand for saving services, and hence it has not proved to be a globally affordable model (Robinson, 2007).

With the failure of credit institutions to address the grassroots (households') financial needs, the situation demands an innovative approach to address the lower segment of the population. The new approach should correct the drawbacks of the old approach (Ayelech, 2010). The financial system approach focuses on commercial financial intermediation among poor borrowers and savers; and also emphasis is given to institutional self-sufficiency. The approach targets lending to the economically active poor people, i.e. people with the ability to use small loans for income activities and the willingness to repay and to voluntarily make required savings. The current research is linked to both the financial system and the business approaches in the context of SEs.

3.4 Summary

This chapter looked into the theoretical framework upon which the present study is grounded. The theoretical framework provided evidence of academic standards and procedure. It also offered an explanation of why the study is pertinent and how the researcher expects to fill the gap in the literature. The next chapter is on research methodology.

CHAPTER 4:

RESEARCH METHODOLOGY

4.0 Introduction

The previous chapter focused on the theoretical framework upon which the present study is grounded. This chapter outlines the research methodology for the current research. The research methodology encompasses methods and procedures used in conducting this research. This comprises research design, sample procedure, data collection and data analysis techniques, among others.

4.1 Research Philosophy

A research philosophy is viewed by Saunders (2011) as a belief system on the manner in which a phenomenon will be grouped, analysed and used. Research philosophy deals with the source, nature and development of knowledge. In simple terms, a research philosophy is belief about the ways in which data about a phenomenon should be collected, analysed and used. In essence, addressing research philosophy in a research involves being aware and formulating beliefs and assumptions. As it is illustrated in figure, 4.1, the identification of the research philosophy is positioned at the outer layer of the research onion and accordingly it is the first aspect to be discussed in this research methodology chapter.

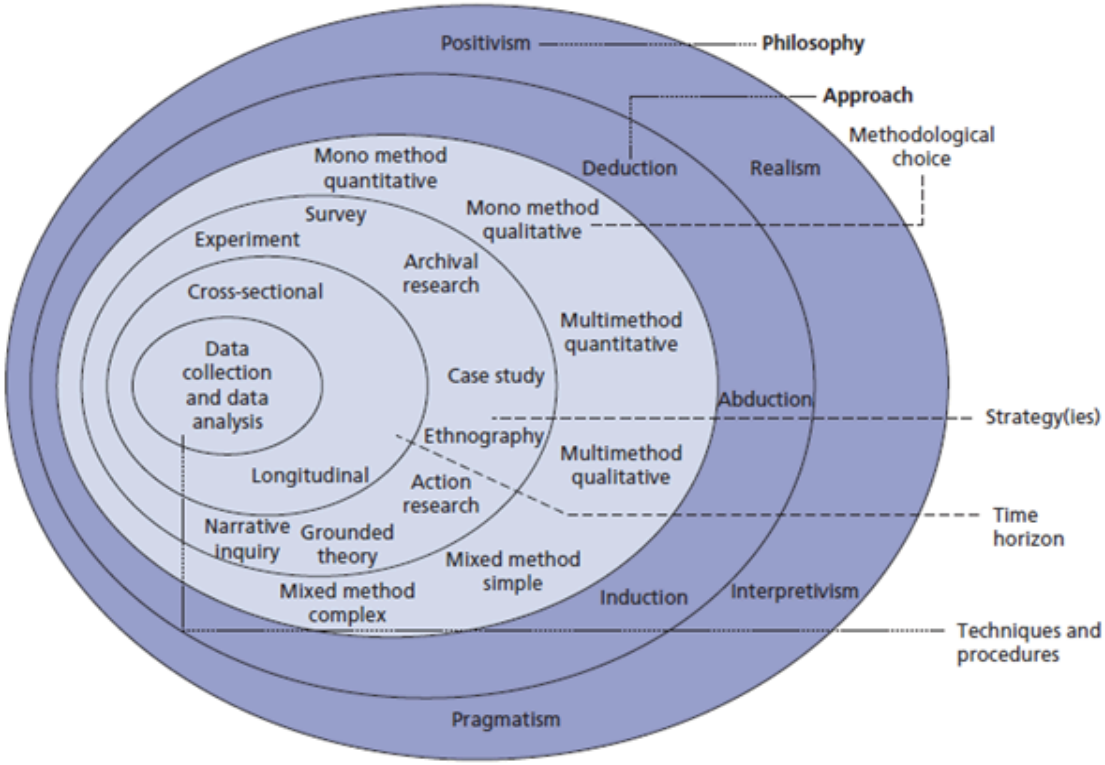

Figure 4.1: The Research Onion

Source: Sunders (2011)

Each stage of the research process is based on assumptions about the sources and the nature of knowledge. The research philosophy will reflect the researcher's important assumptions and these assumptions serve as base for the research strategy. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach. Two major research philosophies have been identified, namely positivist (sometimes called scientific) and interpretivist (also known as antipositivist).

Positivists believe that reality is stable and can be observed and described from an objective viewpoint, that is, without interfering with the phenomena being studied. They contend that phenomena should be isolated and that observations should be repeatable. This often involves manipulation of reality with variations in only a single independent variable so as to identify regularities in, and to form relationships between, some of the constituent elements of the social world. Predictions can be made on the basis of the previously observed and explained realities and their inter-relationships.

Interpretivists on the other hand contend that only through the subjective interpretation of and intervention in reality can that reality be fully understood. The study of phenomena in their natural environment is key to the interpretivist philosophy; together with the acknowledgement that scientists cannot avoid affecting those phenomena they study. They admit that there may be many interpretations of reality, but maintain that these interpretations are in themselves a part of the scientific knowledge they are pursuing. Interpretivism has a tradition that is not less glorious than that of positivism, nor is it shorter.

This study employed the positivist philosophy. This philosophy was found appropriate, as the role of the researcher was limited to data collection and interpretation in an objective way. The researcher believed that reality is stable and can be observed and described from an objective viewpoint without interfering with the phenomena being studied.

4.2 Research Design

Research design is defined as the general action plan that relates the research problem and hypothesis to appropriate practical research. Research design is of paramount importance in the data collection and data analysis stages. There are three kinds of research designs namely; experiment, case study and survey. A case study is a research design which is most appropriate for few objects understudy and with great detail. Surveys are a data collection method as reported by respondents. Surveys take the form of questionnaire, given to research participants who will respond to the questions on their own. There are two kinds of surveys namely longitudinal and cross sectional surveys (Yin, 2015).

The research design for this study was a survey research design. The survey research design attracted the researcher for its many advantages, which include high representativeness. Surveys provide a high level of general capability in representing a large population. Due to the usual huge number of people who answer survey questions, the data gathered possess a better description of the relative characteristics of the general population involved in the study. As compared to other methods of data gathering, surveys are able to extract data that are near to the exact attributes of the larger population.

On the other hand, surveys are characterised by low costs. When conducting surveys, the researcher only needs to pay for the production of survey questionnaires. The survey method also

presents a convenient way of gathering data. Surveys can be administered to the participants through a variety of ways. The questionnaires can simply be sent via e-mail or fax, or can be administered through the Internet. Also, because of the high representativeness brought about by the survey method, it is often easier to find statistically significant results than other data gathering methods. Multiple variables can also be effectively analyzed using surveys.

4.3 Research strategy

Research strategy is defined by Saunders (2011) as a crystal clear road map and an overall plan of how the research will be conducted. A research strategy pertains to the way in which a chosen research method is applied when answering the research questions It has been described as a 'blueprint', which details the tasks to be accomplished and how this is done (Sekaran & Bougie, 2010). A research strategy gives out guidance on how to respond to research questions appropriately thereby charting a roadmap to the research.

There are three major forms of research strategies namely; the quantitative, qualitative and mixed methods. Mixed method is where there are both quantitative and qualitative methods. The research employed the mixed method for quick and effective collection of both qualitative and quantitative data. Qualitative Research is primarily exploratory research. It is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research. Qualitative Research is also used to uncover trends in thought and opinions, and dive deeper into the problem. Quantitative research on the other hand is used to quantify the problem by way of generating numerical data or data that can be transformed into usable statistics. It is used to quantify attitudes, opinions, behaviors, and other defined variables – and generalise results from a larger sample population. The mixed approach was employed by the researcher and the following benefits accrued from the approach:

- Enabled in-depth information gathering and acquisition.
- Led to greater validity and reliability of data.
- Helped to overcome potential bias.

4.4 Target Population

Target population, according to Burns and Grove (2016), is the entire aggregation of respondents

or subjects that meet the designated set of criteria. The population for this particular study comprised the many SEs in and around Harare Central Business District. The SEs selected for this study are those that met the operational definition of an SE used in this study. The study further targeted a population of 189 MFIs which were registered by the Reserve Bank of Zimbabwe as at 31 December 2017.

4.5 Description of the Sample and Sampling Procedures

A sample is a predetermined subgroup of characters under study in a population. Samples are of utmost significance when the population is too big to be tested and difficult to observe. A good sample should represent the attributes of the whole population and not to be biased towards a certain attribute. For the first two research objectives, the study first stratified the population. Stratified sampling refers to a type of sampling method wherein the researcher divides the population into separate groups, called strata. Stratified sampling has several advantages over simple random sampling. For example, using stratified sampling, it may be possible to reduce the sample size required to achieve a given precision. Or it may be possible to increase the precision with the same sample size. The researcher stratified the SEs by sector and thereafter a purposive sampling approach was adopted.

A purposive sample is a non-probability sample that is selected based on characteristics of a population and the objective of the study. Purposive sampling is also known as judgmental, selective, or subjective sampling. In the present study, the researcher purposively sampled twenty SEs from each of the eight identified sectors, on condition that the SE owner or manager reveals that the enterprise has acquired microfinance at some point in time.

For the last two objectives, the researcher employed systematic random sampling. In systematic random sampling, the researcher first randomly picks the first item or subject from the population. Then, the researcher selected each n'th subject from the list. The procedure involved in systematic random sampling is very easy and can be done manually. The results are representative of the population unless certain characteristics of the population are repeated for every n'th individual. In the current study, a database file of the registered MFIs was collected from the Reserve Bank of Zimbabwe and the systematic random sampling method was applied to obtain sample participants. The database of the 189 MFIs was sorted in ascending alphabetical order and the 3rd member was selected to obtain a total of 64 participant MFIs.

4.6 Description of Research Instruments

In designing the research instruments, the researcher took cognisance of a number of factors. These factors were guided by the goals of instrument design, which Saunders (2011) identify as: enhancing the significance and accuracy of data collected, improving on the contribution and cooperation of respondents as well as ensuring easy collection, collation and analysis of data. Kothari (2004) advises that while deciding on the appropriate methods of data collection to be used in the study, the researcher should keep in mind two types of data; namely primary and secondary data. The instruments for collecting data are therefore selected depending on the type of data the researcher would be collecting.

In order to collect data needed in this study, questionnaires were used as data collection tools In particular, a structured questionnaire was developed by the researcher himself, containing both closed ended and open ended questions. Due to the largely scattered population and also to avoid risk of meager responses, the researcher himself with the aid of one competent research assistant delivered the questionnaires to the respondents in different workstations where the respondents were based.

4.6.1 Questionnaires

Questionnaires have been widely used for the same purpose by previous researchers (Heemskerk and Olivieira, 2004). It was through the use of the questionnaire that both quantifiable and non-quantifiable data were recorded, organised and analysed. The questionnaire was at first pre-tested to a small number of respondents to check if the instrument can measure what claimed to be measured. Thereafter, questionnaires were distributed by the researcher to the respondents for the collection of raw data. They were filled in a self-administered manner. The researcher felt that the questionnaire method guaranteed the anonymity usually preferred by respondents.

The major considerations in the designing of the questionnaire were the research objectives. The self-administered questionnaire with closed and open-ended questions was adopted for the study as the principal research instrument for the respondents. The open-ended questions on the questionnaire were meant for the respondents to speak out their minds on their experiences with regard to MFIs and SEs financing.

The researcher was assured of getting correct responses since the researcher or the research assistant was there to clarify some of the issues that the respondents raised regarding questions content. The other benefit derived from the use of this research instrument and distribution strategy is that the researcher managed to collect all the completed responses within a short space of time.

Questionnaires provide the following advantages:

- They allow the participants to respond to the questions at their own paceThey ensure uniformity on the questions asked
- They save time as they are administered to many participants at the same time
- They allow easy analysis and interpretation of the data collected

However, they have the following limitations:

- Misinterpretation of questions may lead to communication breakdown because the respondents would no longer be answering the questions in the way intended by the researcher
- Questions may invite lies from the respondents as opposed to what they would do in an interview
- Open ended questions generate large amounts of data that take a long time to process and analyse

The researcher introduced himself and gave assurance to the respondents that the research data will only be used for academic purposes before issuing out the questionnaires on which the respondents were given a period of a week to complete them.

4.6.1.1 Pilot Study

Hassan, Schattner, Mazza, and Keluarga, (2006) describe a pilot study as a "small study to test research protocol, data collection instruments and other research techniques in preparation for a larger study". The importance of a pilot study is to:

- Determine the feasibility of the study protocol and identify weaknesses in a study.
- Test whether the study instrument is asking the intended questions, whether the

format is comprehensible and whether the tool is appropriate for the target population.

- Test the appropriateness of data collection using the selected interview technique (face to face or telephone) or self-completed questionnaire (administered at Glen View Complex)
- Test data entry, coding of items and appropriateness' of statistical tests.

It was therefore necessary to conduct a pilot study before the main fieldwork. To ensure face validity, the questionnaires were pilot-tested before the final administration on the selected respondents from the SE and MFI sectors. The pilot study findings were assessed and sensitive, unclear and biased items were identified and pulled out of the instrument.

4.7 Description of the Data Collection Procedures

Data collection is the systematic way of gathering data, which is relevant to the research objectives, purpose or questions (Saunders, 2011). Data was collected through both qualitative and quantitative methods. This helped the researcher to overcome the weaknesses of using one method. Due to the largely scattered population and also to avoid risk of meager responses, the researcher himself, with the aid of one competent research assistant delivered the questionnaires to the respondents in different workstations. For the SEs, the researcher both delivered and collected the completed questionnaires in pairs, one for the SE Head/Representative and the other one for the accounting officer. This resulted in a uniform response rate for both respondents' categories.

4.8 Description of Data Analysis and Presentation Procedures

Cooper and Schindler (2011) note that data analysis includes interpreting findings from the research in the light of the research questions, and determining if the results are consistent with the research hypotheses as well as the views of prior authors and researchers. The researcher categorised data so as to ensure the ease of analysis. Data cleansing was performed in order to bring order, structure and meaning to the mass of collected data (Gelman and Hill (2006). Therefore, data from the questionnaire was edited, ordered, coded, classified, tabulated and summarised. Editing was done to ensure the identification and elimination of errors that were made by respondents. It was also intended to enhance accuracy, consistency, completeness and uniformity of data collected to simplify coding and tabulation of the findings (Kothari, 2004).

The research findings were presented using tables and charts for enhanced understanding. The researcher analysed quantitative data using the Statistical Package for Social Sciences (SPSS) version 20. The analyses included ordinary least squares regression, stepwise regression and sample t-tests.

4.8.1 Variable Identification for the Study

The study investigated the factors affecting MFIs' efforts of promoting SE financial performance through microfinancing. The following variables were identified from literature.

Table 4.1 Variable Identification for the Study

Variables	Interpretation
$x1$	Diversion of loans by SEs beneficiaries
$x2$	Adequate liquidity in MFIs
$x3$	High competition in market
$x4$	Clear plans among the SEs
$x5$	Information access among the SEs
$x6$	Lack of collateral among SEs
$x7$	Limited training among the SEs
$x8$	Fraud among SEs
$x9$	Unregistered SEs
$x10$	Strict terms and conditions
$x11$	Ineffective leadership in the SEs

Source: Author's Own Analysis(2018)

The Stepwise Regression was applied to build the regression model. The SPSS package was used and it added or removed the predictor variables using F-test or T-test from an initial set of eleven variables; and then eliminated variables that were found to be insignificant in the model, till left with significant variables only. This process was augmented by chi square tests and analysis of variance (ANOVA) to ascertain model fitness.

4.8.2 Ordinary Least Squares Regression

The Statistical Software Package for Social Sciences (SPSS v.25) was used to capture and analyse the data collected. The Ordinary Least Squares (OLS) Regression analysis was applied as the data had more than one independent variable. It was used to measure the difference between respondents whose firms had been recording stunted growth and those recording significant growth following MFI intervention. In any regression analysis the key quantity is the mean value of the response variable given the values of the independent variable. The researcher recognised that including more than one explanatory variable in the model does not indicate the absence of missed variables from the model. Consequently, a disturbance term was included in each model to minimize the effect of missed variables from the model as shown in the general model below:

Equation 4.1

$$\boldsymbol{Y = \alpha + \beta_n X + \varepsilon}$$

Where:

Y= SE Financial Performance

α = constant,

β = vector of regression coefficients,

X = matrix component of independent variables (Challenges faced by MFIs in promoting SE financial performance),

ε = the error term.

The modified OLS model used the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ldots \beta_n X_n + \varepsilon$$

Where:

Y stands for the function of the independent variables,

α is the constant of regression,

$\beta 1, \beta 2, \beta 3, \beta 4, \ldots\ldots \beta n$ are coefficients of regression,

ε is an error term.

4.9 Data Validity and Reliability Results

Validity is defined by Yin (2013) as the extent of the research instruments' ability to measure what they are intended to measure. The research instruments' reliability is anchored on the extent to which they are free from bias (Zohrabi, 2013).

4.9.1 Validity results

To ensure face validity, the questionnaires were pilot-tested before the final administration on the selected respondents from the SE sector. The pilot study findings were assessed and sensitive, unclear and biased items were identified and pulled out of the instrument. On the other hand, content validity was also pertinent and this was determined through the involvement of three experts in the field of finance in discussions relating to the questions in the questionnaire. The experts were asked to rate the questions on a scale of 1 to 4; with a view to establish whether or not the questions were pertinent to the measurement of what they were intended to measure in respect of the research objectives. The computed content validity index was 0.835. As asserted by Rutherford (2013) the index should always surpass 0.5; and hence the computed index of 0.835 indicates that the questions contained in the questionnaire were valid for the current study.

4.9.2 Reliability Results

In the present study, the Cronbach's alpha coefficient was used in establishing internal consistency in measuring the extent to which the study variables were reliable. Cronbach's alpha is a measure of internal consistency that is, how closely related a set of items is as a group. It is considered to be a measure of scale reliability. A "high" value for alpha does not imply that the measure is unidimensional. If, in addition to measuring internal consistency, one wishes to provide evidence that the scale in question is unidimensional, additional analyses can be performed. Exploratory factor analysis is one method of checking dimensionality. Technically

speaking, Cronbach's alpha is not a statistical test – it is a coefficient of reliability (or consistency). Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items.

For almost all the variables, the alpha coefficients surpassed 0.7 and this revealed that the research instruments were acceptable in as much as reliability was concerned. The instuments were accepted as reliable as informed by authors such as Sekaran and Bougie (2013) who consider a Cronbach's alpha of 0.6 as generally satisfactory; and 0.7 to 0.8 as good.

4.10 Ethical Considerations

The research was premised on ethical research practices. Participation in this study by any respondents was based purely on a voluntary basis.

4.10.1 Permission

The researcher obtained permission to conduct the research in the relevant SEs and MFIs from the responsible authorities.

4.10.2 Informed Consent

According to the propositions of Patton (2015), informed consent is a process whereby participants give their consent to participate in a research after getting honest information about its procedures, risks and benefits. Therefore, in this case respondents were free to decide if they want to participate or not. The researcher provided an explanation of the aim of his research and participants would then decide whether or not to participate in it. Thus, in the current research people or organisations are free to decide if they want to participate or not.

4.10.3 Confidentiality

Confidentiality means that no one has access to the participant's data or names and no one can match research information with that of a participant (Patton, 2015). This means respondents are guaranteed that their responses are to be used for the purpose of the research only and are treated with strict confidentiality. A respondent's anonymity is guaranteed when a given response

cannot be matched with a given participant. Therefore, in this study no one was able to identify the respondents and their responses.

In particular, the researcher employed study codes on data documents (completed questionnaires) instead of recording identifying information keeping a separate document that links the study code to subjects' identifying information locked in a separate location and restrict access to this document. In the case of identifiable data, the researcher encrypted such data. Furthermore, the study data and documents were properly disposed, destroyed, or deleted. During the course of the study, the researcher limited access to identifiable information and securely stored data documents within locked locations and assigned security codes to computerised records.

4.11 Summary

This chapter outlined the research methodology for the current research. The research methodology encompassed methods and procedures of conducting a research. In particular, the chapter has highlighted that the research employed a mixture of the two research designs (qualitative and quantitative). The sample procedures, data collection and data analysis techniques were also described. In the next chapter, the researcher presents the data presentation, analysis and discussion.

CHAPTER 5:

DATA PRESENTATION, ANALYSIS AND DISCUSSION

5.0 Introduction

The previous chapter focused on the research methodology for the study. The current chapter presents in detail the research findings on the first two research objectives. Firstly, the research sought to determine the extent to which SEs in Zimbabwe are able to access different MFI services, cognisant of the fact that prior to offering micro-credit and other microfinance services to SEs, MFIs undertake strict assessments of the SEs seeking such services. Secondly the research findings on the impact of microfinance on SE financial performance are included in this chapter. The respondents were either SE owners or managers (128 in total out of a sample of 160), accounting officers (128 in total out of a sample of 160) and MFI heads or their representatives (64 in total out of a sample of 64). Although the questionnaires solicited for respondents' demographic data such as gender, age, experience and education, on analysing the data the researcher found that these characteristics had no influence on the findings.

5.1 Accessibility of microfinance services by SEs

From a bird's eye view, the researcher focused on the general accessibility of the various microfinance services among SEs in Zimbabwe; and from a worm's eye view, focus was on the impact of a set of independent variables on the accessibility of micro-credit to SEs. The researcher chose to expedite the study towards the factors influencing access to micro- credit as literature as well as preliminary findings of the current study pinpoint micro- credit as the key microfinance service required by SEs.

The SEs' relatively higher demand for micro-credit is firmly premised on the notion that finance is the lifeblood of any business venture. The research noted the ease with which micro-credit can be accessed by SEs as compared to other MFI services such as micro leasing, micro saving and micro insurance which are generally considered inaccessible according to the responses given by the participating respondents. Micro venture capital and money transfer services are slightly accessible with 33.5% and 32.8% of the respondents attesting to the accessibility of the respective MFI services.

Table 5.1: Accessibility of microfinance services to Zimbabwean SEs

	SA	A	D	SD	Decision
Micro-credit	37	42	33	16	Accessible
Micro-leasing	12	8	39	69	Inaccessible
Micro-venture	11	32	48	37	Slightly accessible
Saving	4	15	38	71	Inaccessible
Micro-insurance	12	18	40	58	Inaccessible
Money transfer	17	25	39	47	Slightly accessible

Key to Table 5.1:SA = strongly agree, A = agree, D = disagree, SD = strongly disagree

Source: Author's Own Analysis (2019)

5.1.1 Correlational Analysis: Variables affecting microfinance accessibility

The researcher carried out the correlational analysis based on the presumption that business risk and transactional costs have a joint influence on SEs' access to microfinance from MFIs. The correlational analysis of the impact of business risk and transactional costs on SEs' access to microfinance was carried out and the output of the analysis is as depicted in Table 5.2 below.

Table 5.2: Access to MF - Risk Correlation

		Access to MF	Risk
Access to MF	Pearson Correlation	1	.520
	Sig. (2-tailed)		.000
	N	128	128
Risk	Pearson Correlation	.520	1
	Sig. (2-tailed)	.000	
	N	128	128

Source: SPSS Output (2019)

Table 5.3: Access to MF - Transactional Costs Correlation

		Access to MF	Costs
Access to MF	Pearson Correlation	1	-.400
	Sig. (2-tailed)		.000
	N	128	128
Costs	Pearson Correlation	-.400	1
	Sig. (2-tailed)	.000	
	N	128	128

Source: SPSS Output (2019)

It can be deduced from Tables 5.3 that there is a positive association between the amount of micro-credit and risk; as is depicted by the correlation coefficient of .52, p <. 05. Since p <0.05 (p=probability that results occurred by chance), the significance of the correlation is clearly evident; that is, it is not by chance.

On the other hand, a weak negative association is evident from the correlation results in Table 5.3 with regards to the amount of micro-credit versus transactional costs. This correlation is deductible from the correlational table where the correlation coefficient is -.400, p = .000. It is also noteworthy that since p-value is less than 0.05, the correlation may be of significance.

To test whether the claim is true, the test statistic was compared to the sampling distribution to see whether it supports the claim by looking at where it lies on the corresponding sampling distribution. For testing means and proportions, the Z-distribution was used. The Z- distribution has a mean of 0 and standard deviation of 1. If, on the standard distribution, the test statistic (also known as the probability value) is close to zero then it supports the claim. The p-value (short for probability value) measures how likely it was that someone would have gotten their sample results if the null hypothesis were true. The p-value is also known as the significance test statistic (shortened to Sig.). The farther out the test statistic is on the tails of the standard normal distribution, the smaller the p-value will be, and the more evidence against the null hypothesis being true (Rumsey, 2010).

5.1.2 Further analysis of the variables: Regression Analysis

The study further conducted a multiple regression analysis with a view to establish the impact of the two variables namely business risk and transactional cost on SEs' access to microfinance. The level of gearing (measured by debt/equity ratio) by the borrowing SE was the proxy for business risk. The amount borrowed was used as the proxy for SEs' access to microfinance. The following regression model was considered:

Equation 5.1: Model Description

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \mu$$

Where;

Y represents the credit amount accessed by SEs from MFIs (Accessibility)

X1 represents the transaction cost factor (Costs)

X2 represents the business risk factor $\left(\text{Risk}=\frac{\text{Debt}}{\text{Equity}}\right)$

$\beta 0$ is the Y intercept

$\beta 1$ is the coefficient of Costs

$\beta 2$ is the coefficient of Risk

μ is the error term

Table 5.4: Raw Model Summary

Model	R	R Square	Adjusted R Square
1	.84	.698	.693

Source: SPSS Output (2019)

Table 5.5: Raw ANOVA

Model		Sum of Squares	p-value
	Regression	31937347.355	.000
1	Residual	13825601.324	
	Total	45762948.680	

Source: SPSS Output (2019)

Table 5.6: Raw Regression Coefficients

Model		T	p-value	Collinearity
				Tolerance
	(Constant)	3.819	.000	
1	Costs	16.833	.000	.389
	Risk	-.237	.813	.389

Source: SPSS Output (2019)

Table 5.4 shows that the R-Square and the adjusted R-Square were 70% and 69% respectively. This shows a well-nigh good fit. Table 5.5 supports Table 5.4 by showing that the model at a p-value less than 5% captures most of the variations (31937347.355 observations out of a total of 45762948.680). This accounts for 69.8% of the total observations (which happens to be the correlation coefficient). This shows that the results are statistically significant.

Table 5.6 shows the regression model coefficients. The costs coefficient was positive 16.833 which means there is a positive relationship between access to finance (loan amount) and the costs associated with acquiring the loan; the higher the loan amount the higher the transactional costs. The coefficient for the risk was negative 0.237; the negative relationship implying that the higher the risk (measured by debt to equity), the less chances of accessing a loan.

The regression constant and the variable costs had significance as shown by the t-statistics and p-values, which were above absolute 1.6 and less than 5% respectively. There were no collinearity problems since all the tolerance values were above 0.2. However, the variable Risk had a t-statistic less than absolute 1.6 and a p-value of 81.3%, which is well above 5%. This means that additional tests were to be undertaken because some irrelevant variables might have been included in the model.

The additional tests, which are largely, misspecification tests, were to establish whether the powers attached to the variables are correct. If they are incorrect, then the t-statistics and the p-values would be lowered and the variables can still be used in the final regression model, but with the newly estimated powers.

Figure 5.1 shows a partial plot of the Risk against Loan (Access to MF). No distinguishable pattern is evident from the diagram. This may imply that there is a problem of misspecification. Incorrect Functional Form test was formally done using Weight Estimation and the results are presented in Tables 5.10 and 5.11.

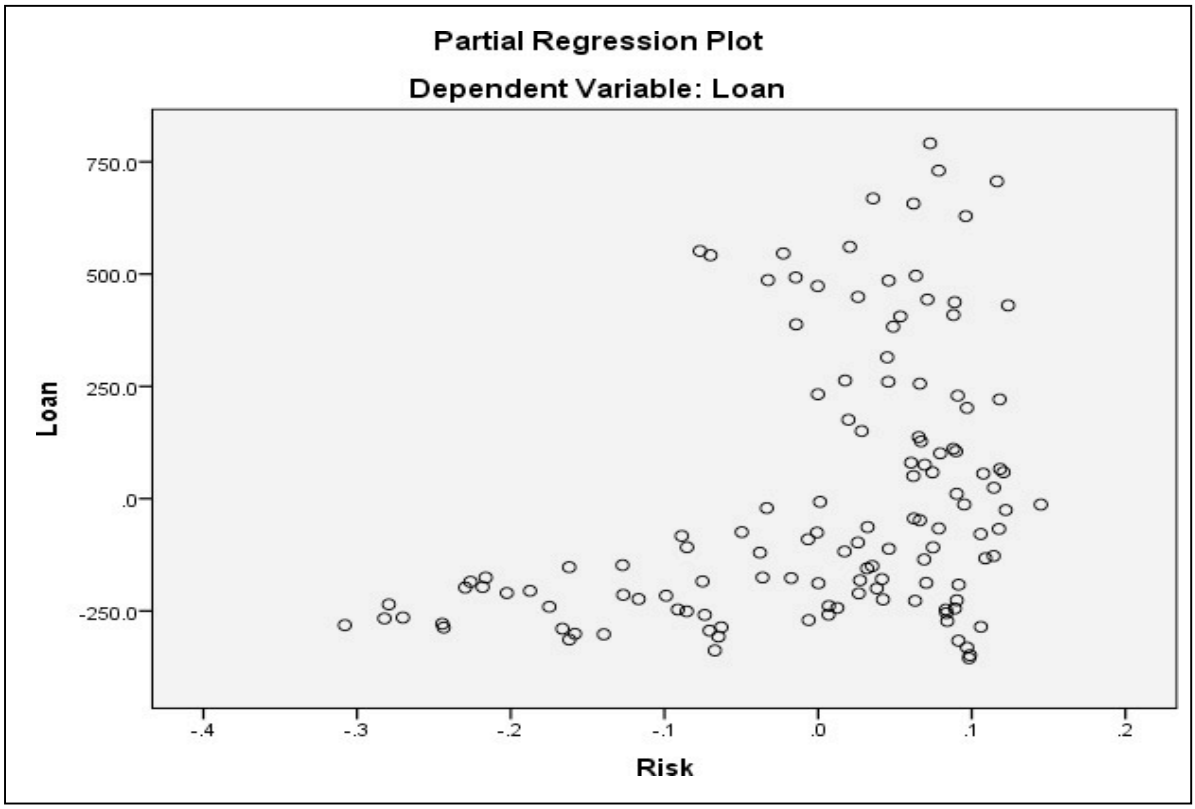

Figure 5.1: Risk Partial Plot

Table 5.7: Costs Weight Estimation

Dependent Variable		loan_amt
	1	De
	2	Costs
Independent Variables		
	Source	Costs
	Power Value	-.500
Weight		

Source: SPSS Output (2019)

Table 5.8: Risk Weight Estimation

Dependent Variable		loan_amt
	1	De
	2	Costs
Independent Variables		
	Source	De
	Power Value	2.000
Weight		

Source: SPSS Output (2019)

Tables 5.7 and 5.8 show that the best powers for the variable Costs (costs) and Risk (de) against Access to MF (loan_amt) are -0.5 and 2 respectively. The final regression was done with the estimated powers and is as follows.

Table 5.9: Final Model Summary

Model	R	R Square	Adjusted R Square
1	.636[a]	.405	.395

Source: SPSS Output (2019)

Table 5.10: Final ANOVA

Model		Sum of Squares	Sig.
1	Regression	5303598.481	.000
	Residual	7807271.988	
	Total	13110870.469	

Source: SPSS Output (2019)

Table 5.11: Final Regression Coefficients

Model		Unstandardized Coefficients		T	Sig.
		B	Std. Error		
1	(Constant)	2345.63	471.59	4.974	.000
	Square of Risk	26570.53	2939.99	9.038	.000
	Inverse of Root of Costs	-40821.60	6304.40	-6.475	.000

Source: SPSS Output (2019)

Table 5.10 shows that the results of the regression are significant since the p-value=.000 is less than the critical value=.05. Table 5.9 however shows that the R-square and the adjusted R-square were only .405 and .395 respectively. With this goodness of fit, the final regression model was constructed from Table 5.11 (basing on the regression p-values) above as shown in Equation 5.2 below.

Equation 5.2: Final Regression

$$Accessibility = 2345.6 + 2657Risk^2 - \frac{40821.6}{\sqrt{Costs}}$$

All the p-values in Table 5.11 and t-statics in the table show that the powers are significant. Table 5.12 shows back testing results from a sub-sample of ten SEs randomly selected from the study sample. With the highest difference of -$1940, the results show that the model is effective.

Table 5.12: Back-testing Results

Risk (d/e)	Costs (USD'0)	Predicted Loan (USD'0)	Actual Loan (USD'0)	Difference (Actual-Predicted)(USD'0)
0.39	132.10	993.86	1 074.00	+80.14
0.37	99.68	1 007.17	1 201.00	+193.83
0.37	94.72	1 017.74	1 184.00	+166.26
0.40	129.23	1 018.78	1 068.00	+49.22
0.41	142.02	1 023.74	1 052.00	+28.26
0.42	155.38	1 030.74	996.00	-34.74
0.41	119.03	1 055.37	1 035.00	-20.37
0.41	110.66	1 069.25	1 044.00	-25.25
0.39	85.50	1 080.17	1 140.00	+59.83
0.37	94.72	1017.74	1184.00	+166.26

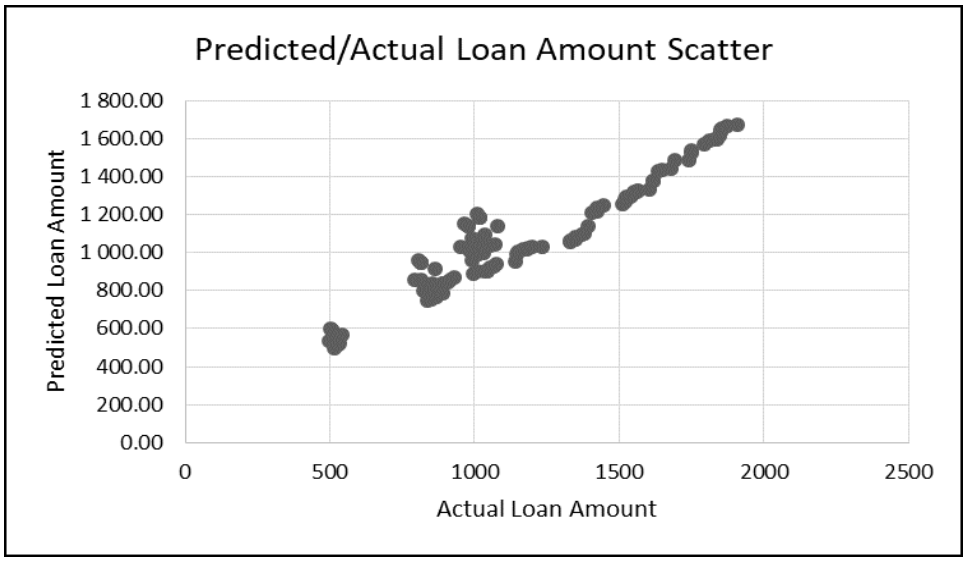

Figure 5.2 Scatter Pot for Predicted against Actual Loan Amounts

Figure 5.2 shows a strong positive correlation between actual and predicted loan amounts. This works to reaffirm the effectiveness of the final model.

5.1.3 Impact of MFIs' requirements on microfinance accessibility

The research focused on the key variables affecting the accessibility of microfinance namely insufficient collateral, previous credit record, documentation and the availability or non-availability of financial statements. Table 5.13 below is a depiction of the significance attached to the various factors when assessing SEs for the purposes of extending microfinance services.

5.1.3.1 Pearson's Correlation matrix

Table 5.13: Pearson Correlation Coefficients

		Access to MF
Insufficient Collateral Security	Pearson Correlation	-.702**
	Sig. (2-tailed)	.000
	N	127
Previous Credit Record	Pearson Correlation	.847**
	Sig. (2-tailed)	.000
	N	127
Lack of Proper Documentation	Pearson Correlation	-.717**
	Sig. (2-tailed)	.000

	N	127
	Pearson Correlation	-.727**
Unavailability of Financial Statements	Sig. (2-tailed)	.000
	N	127

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output (2019)

The research used Karl Pearson's coefficient of correlation to determine the association between the variables. The correlation analysis showed negative relationship between Access to MF and Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements where correlation coefficients were -0.702, -0.717 and -0.727, respectively, at p-values of 0.000. There was a positive relationship between Access to MF and Previous Credit Record of 0.847 at a p-value of 0.000. All these relationships were strong and very statistically significant.

5.1.3.2 Regression analysis

The research further employed multiple regression analysis in establishing how the variables of the study relate. The analysis used the following regression model:

$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon$. where;

y = dependent variable (access to finance);

β_1= coefficient of unavailability of financial statements

β_2= coefficient of lack of proper documentation

β_3= coefficient of insufficient collateral security

β_4= coefficient of previous credit record

x_1 =unavailability of financial statements

x_2 =lack of proper documentation

x_3= insufficient collateral

x_4 =previous credit record; and

ε = error term.

Explanation of the independent variables

The correlation analysis which showed a negative relationship between Access to MF and Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements where correlation coefficients were -0.702, -0.717 and -0.727 respectively at p-values of 0.000 reveals that where the SE has no financial statements, has poor documentation and has inadequate collateral; access to microfinance is lower.

On the other hand, there was a positive relationship between Access to MF and Previous Credit Record of 0.847 at a p-value of 0.000 and this implies that prior credit record enhances access to microfinance.

Equation 5.3: Model Description

$$Access\ to\ Finance = \beta_1 Credit\ Record + \beta_2 Lack\ Of\ Documentation + \beta_3 Insufficient\ Collateral + \beta_4 Unavailability\ Of\ FinancialStatements + \varepsilon$$

The results of the regression are presented in Tables 5.15 to 5.17

Table 5.14: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	127.383	4	31.846	137.733	.000
Residual	28.208	122	.231		
Total	155.591	126			

Source: SPSS Output (2019)

Table 5.15: Model Summary

Model	R	R Square	Adjusted R Square
1	.905	.819	.813

Source: SPSS Output (2019)

Table 5.16: Regression Coefficients

Model	Unstandardized Coefficients	T	Sig.
(Constant)	1.729	9.097	.000
Previous Credit Record	.538	13.303	.000
Unavailability of Financial Statements	-.200	-1.765	.030
Insufficient Collateral Security	-.244	-1.865	.005
Lack of Proper Documentation	-.033	-1.296	.007

Source: SPSS Output (2019)

Equation 5.4: Final Regression Model

$$Access\ to\ Finance$$
$$= 1.729 + 0.538Previous\ Credit\ Record - 0.033Lack\ of\ Documentation$$
$$-0.244Insufficient\ Collateral - 0.2Unavailability\ of\ Financial\ Statements$$

Equation 5.4 shows that there is a positive relationship between a previous credit record and access to finance. This means if a business has a previous credit record then it is likely that the business will be able to access the finance. The coefficient of previous credit record is above 0.5, representing a strong relationship between previous credit record and access to finance.

However, there is a negative relationship between access to finance and lack of proper documentation, insufficient collateral security and unavailability of financial statements. This means if a business lacks proper documentation, or has insufficient collateral security and has no

financial statements, then the business will find it difficult to access a loan. However, all the negative coefficients are below absolute 0.5, representing a weak relationship between access to finance and lack of proper documentation, insufficient collateral and unavailability of financial statements.

For the purpose of testing the regression model's significance in the prediction of the dependent variable (access to finance), the *F*-test was carried out (Table 5.14). The findings suggest that the four independent variables namely insufficient collateral security, previous credit record, lack of proper documentation and unavailability of financial statements are reasonable predictors of SEs' access to finance.

Table 5.15 shows that the adjusted R squared of 0.813 evidences the view expressed in the preceding paragraph. Impliedly, the model explains 81.3% of the variance in the accessibility of microfinance. This means that the remaining 18.7% is a result of other factors not covered in the current study's research objectives. It is therefore imperative for further researches to focus on investigating these other factors that affect SEs' access to microfinance. Considering the value of R square is almost 1, t he research finds that the regression equation appears valuable for predicting microfinance accessibility given the four variables.

Table 5.17: Back-testing Results

Previous credit record	Lack of documentation	Insufficient collateral security	Unavailability of financial statements	Predicted Access to Finance	Actual Access to Finance	Difference (Actual–Predicted)
1	1	1	1	1.24	3.10	1.86
1	3	2	3	0.53	1.01	0.48
2	4	4	3	0.55	0.93	0.38
1	1	3	2	0.55	0.55	0.00
1	2	1	1	1.21	2.17	0.97
2	3	3	3	0.82	0.82	0.00
1	4	2	2	0.70	1.46	0.77
2	3	4	1	0.98	1.57	0.59
2	1	4	1	1.05	2.51	1.46
3	3	3	1	1.76	3.17	1.41
2	2	1	3	1.35	1.88	0.54
3	1	2	4	1.47	2.65	1.18
3	1	2	3	1.67	4.01	2.34
3	2	3	1	1.80	1.80	0.00
3	3	2	2	1.81	1.99	0.18

3	4	2	2	1.77	2.30	0.53
4	4	2	3	2.11	4.86	2.74
4	1	3	2	2.17	2.17	0.00
4	1	1	3	2.45	5.40	2.94

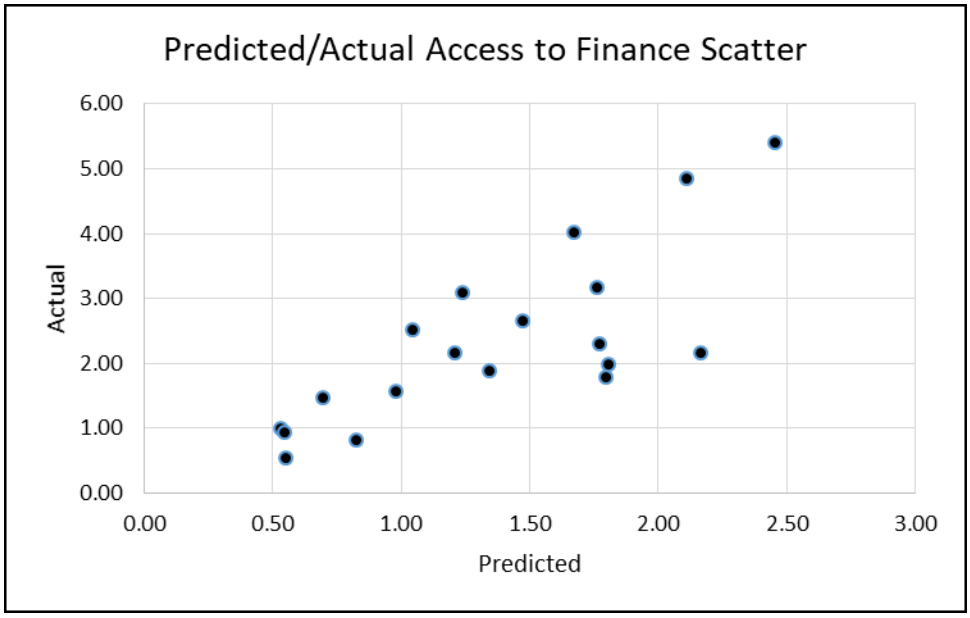

Figure 5.3: Scatter Plot for Predicted against Actual Access to Finance

Since the results of the linear regression (Table 5.16) are significant at 95% confidence interval (F = 137.733), the research rejected the null hypothesis(H_O) that there is no relationship between the dependent variable Access to MF and the explanatory variables Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements.

Table 5.16 revealed that all the four independent variables namely collateral requirement, proper documentation, availability of financial statements and previous credit record have a significant impact on the accessibility of microfinance to SEs. Findings of the current study revealed that microfinance accessibility is influenced by MFI's collateral requirements. Most SEs in Zimbabwe fail to be considered for microfinance by MFIs on the basis of lack of collateral security. But most Zimbabwean SEs are still start- ups and therefore lack the adequate resources to offer as collateral. It is also in light of the foregoing that MFIs perceive such SEs as highly risky. On another note, it also emerged from the study that SEs find collateral requirement a disincentive to apply for microfinance from MFIs. Previous credit record was also found to have an influence on the ability of SEs to access microfinance from MFIs. In the same vein, financial statements availability and proper documentation were also found to have a significant impact on SEs' opportunities of accessing finance from MFIs.

Table 5.17 shows the back testing results of the model. The mean difference is 0.97, meaning the model is effective. Figure 5.3 shows a scatter plot of actual versus predicted access to finance. There is roughly a positive relationship between the actual and the predicted loan amounts. This works to support that the model is effective.

5.2 Impact of Microfinance on Small Enterprise Financial Performance

Financial performance measurement is too diverse due to the use of different financial performance measures by different entities across the globe. The current study found that SEs in Harare mainly utilised the following nine financial ratios for monitoring their performance.

Table 5.18: Financial Performance Measures

Ratio	Model	Explanation
Earnings after tax to Total Assets	$\frac{Earnings\ after\ tax}{Total\ Assets}$	This represents the profit that is available to all the finance providers of the company; including equity holders, preferred stock holders, debt holders and providers of short-term credit (trade suppliers, employees for wages and salaries).
Net working capital to Total Assets	$\frac{Working\ Capital}{Total\ Assets}$	This measures the liquidity of the business as measured by its ability to meet the requirements of all the finance providers.
Current Ratio	$\frac{Current\ Assets}{Current\ Liabilities}$	The current ratio of a company gives a quick way to look at its current assets and current liabilities. They should be nearly equal to one another.
Interest Cover (Earnings before	$\frac{Earnings\ before\ interest}{Interest\ Charge}$	Another ratio that looks at the ability of a company to pay its interest when due is its interest coverage ratio, or times interest earned.

Ratio	Model	Explanation
interest and taxes to interest expense)		
Cash flow to total debt	$\frac{Change\ in\ cash\ and\ cash\ equivalents}{Total\ noncurremt\ liabilities}$	This measures the efficiency at which the interest bearing borrowings are able to generate cash flows. The ratio can be broken down into two parts; the cash flow from financing activities (*NCFFFA*) to debt $\left(\frac{NCFFFA}{Debt}\right)$ and the cash flow from other activities (*NCFFOA*) to debt ratios $\left(\frac{NCFFOA}{Debt}\right)$
Operating profits to assets	$\frac{Operating\ Profits}{Total\ Assets}$	This measures the profit attributable to all the finance providers, i.e. profit before interest and tax to equity + preferred capital + debt. It measures the capability of the business to meet the requirements of all the financiers.
Cash operating cycle	$Trade\ receivables\ collection\ period + Inventory\ holding\ period - Trade\ payables\ payment\ period$	This measures the days it takes from buying merchandise on credit, through selling the goods and finally receiving cash. A shorter operating cycle is deemed favourable.

Ratio	Model	Explanation
Total Assets Turnover	$\frac{Annual\ Sales}{Total\ Assets}$	This ratio looks at the aggregate assets of a company and measures the way the company utilizes them.
Return on equity (ROE)	$\frac{Earnings\ after\ ax}{Equity}$	This is a ratio that represents the profit that is attributable to the equity holders of an organisation.

Source: Author's own analysis of various authors (2018)

SE financial performance was thus mainly based on these ratios. The researcher notes that SEs in Harare are mainly relying on traditional financial analysis techniques and hardly applying modern day financial analysis models. That is, although the researcher finds the financial ratios informative, the issues of abrupt business failure seem to be far from being highlighted. This is because when asked on their application of any contemporary bankruptcy prediction model in their analysis, almost all the AOs professed ignorance on any such model.

Table 5.19: The extent to which access to microfinance improved FPMs

The following measure of financial performance improved due to access to microfinance services	**Response**		
	Not sure	*Generally Disagreed*	*Generally Agreed*
Increase in profit per employee	20%	38%	49%
Gross profit margin ratio (gross profit to net sales)	9%	45%	46%
Cash flow to total debt	13%	44%	44%
Increase in profit before tax	20%	41%	44%
Inventory turnover (inventory to sales)	22%	35%	43%
Earnings after tax (PAT) to total assets	29%	28%	43%
Net profit ratio	17%	41%	41%
Increase in working capital	19%	41%	41%

Net working capital (NWC)	21%	38%	41%
Operating profit to operating assets	26%	33%	41%
The following measure of financial performance improved due to access to microfinance services	**Response**		
	Not sure	*Generally Disagreed*	*Generally Agreed*
Increase in total assets	19%	14%	40%
Growth in annual revenue	18%	33%	39%
Total assets turnover (sales to total assets)	17%	45%	38%
Cash operating cycle	25%	38%	37%
Times interest earned (income before interest and taxes [EBIT] to interest expense)	25%	38%	37%
Return on equity (ROE)	23%	42%	34%
Net working capital to total assets	22%	45%	33%
Debt ratio (total debt to total assets)	24%	43%	33%
Current ratio (current assets to current liabilities)	26%	43%	31%

Source: Author's Analysis (2019)

Table 5.19 shows that he financial performance measure (FPM) with the highest improvement after access to the microfinance services is the increase in profits per employee (49% of the respondents generally agreed so). This was followed by the gross profit margin (46% general agreement); Cash flow to total debt and Increase in profit before tax (both 44% general agreement); Net profit ratio, Increase in working capital, Net working capital (NWC) and Operating profit to operating assets (all 41% general agreement); and increase in total assets (40% general agreement).

It can therefore be deduced that access to microfinance generally could not improve all the FPMs. The most improved FPMs, though, are profitability measures (increase in profit per employee, gross profit margin, net profit ratio, increase in profit before tax and operating profit to total assets). This implies that access to microfinance improved profitability for an average SE. The results indicated that the majority of the respondents agreed on the increase of their fund, ability to cope with new technology and to compete, access to market as well as increased number of experienced employees as the result of

an MFI loan. And this leads to the increased number of branches, increased number of customers as well as creation of employment opportunities. The research participants also revealed that after accessing microfinance, the standard of living for both SE owners and employees have improved and on the other hand, SEs were able to enjoy economies of scale. Similar sentiments were expressed by Kobla (2009) who examined the impact of microfinance banks on small-scale enterprises in the South Tongu district of Ghana through the use of descriptive statistics. The study revealed that beneficiaries who benefitted considerably from the products of microfinance enjoyed increase in income, increase in equipment, creation of employment, and improvement in the standard of living.

Also, Brune (2009) examined empirically the impact of micro-finance institutions on the development of SEs and concluded that there is empirical evidence for significant positive impact of micro-finance institutions on the development of SEs. Additionally, in their research to find the relationship between microcredit and business growth, Waliaula (2013) found that there was a very strong positive relationship between the variables business growth and microcredit. The study also revealed that t growth in the SEs could be explained mainly by the access to microcredit. From their study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied upon to explain growth in the SMEs sector in Kenya. Therefore, growing bodies of knowledge have proven that microfinance has the propensity, to positively influence at household, individuals and business enterprises, particularly SEs.

5.2.1 Microfinance impact on FPMs: Further Analysis

To prove that access to microfinance would improve the FPMs, paired sample t-tests were done on the four frequently used ratios, namely net profit margin, inventory to sales ratio, gross profit margin and debt ratio. The ratios for each participant firm were studied before and after the access to microfinance services to see if the access to the microfinance service would have had made any impact. The tests may be likened to intervention tests – to see if the introduction of microfinance would intervene to improve the financial performance of the SEs.

Although the sample size was large (128>30), the distribution of the data was tested for normality before the final analysis. A difference (diff) was calculated for every financial performance measure by subtracting the ratios before from the ratios after the access to microfinance services. This difference distribution was then tested for normality, this distribution being taken to represent the distribution of the ratios. After the data had passed the normal distribution assumption test, paired sample t-tests were

then analysed. The following sections attempt to go through these analyses.

5.2.1.1 Access to Microfinance and Gross Profit Margin

Figure 5.4 below shows the results of the normality test for the gross profit margins.

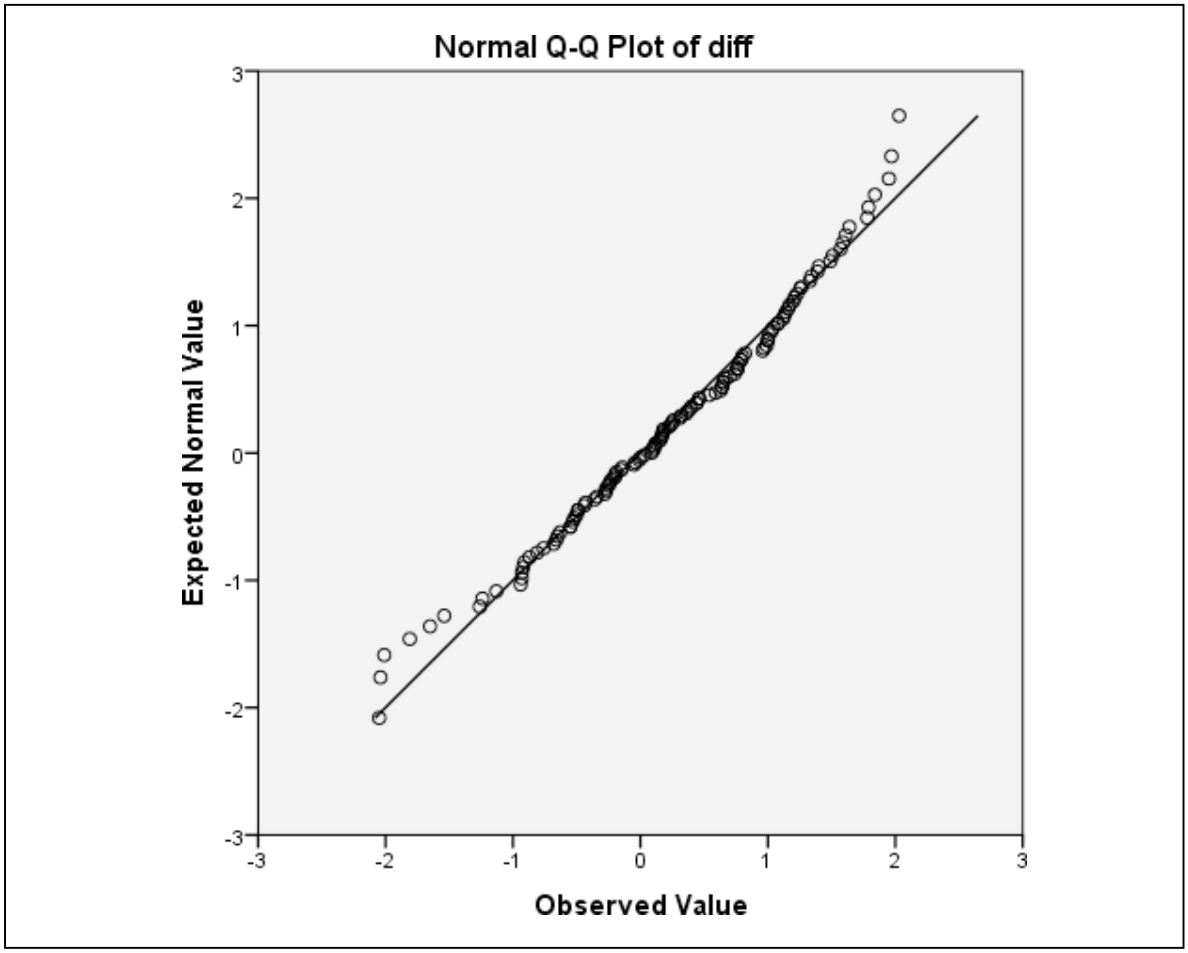

Figure 5.4: Q-Q Plot of the Difference in Gross Profit before and after Microfinance

Source: Author's Analysis (2019)

The observed data is clustered around the expected = observed line. This proves that the gross profit margins followed normal distribution. This would allow further analyses using paired sample t-statistics. The results of the analyses are depicted in Tables 5.20 and 5.21 below:

Table 5.20: Gross Profit Margin - Paired Sample Tests

		Paired Differences				
		95% Confidence Interval of the Difference		t	df	Sig. (2-Tailed)
		Lower	Upper			
Pair 1	Before – After	-.44	-.12	-3.51	127	0.001

Source: SPSS Output (2019)

Table 5.21: Gross Profit Margin - Paired Sample Statistics

		Mean	N
Pair 1	Before	.1466	128
	After	.4303	128

Source: SPSS Output (2019)

Table 5.20 shows that the t-statistic for H_0 is -3.51 at 95% confidence level with 127 degrees of freedom (df) and p-value (Sig. 2-tailed) is 0.001; i.e. there is a very small probability of the results occurring by chance. At 95% confidence interval, the mean gross profit margin would range from -0.44 to -0.12. The H_0 is then rejected (since p-value=0.001 is less than the significance level α=0.05), thus accepting $H_0\alpha$ that there is a difference in the mean gross profit margin before and after the firm has accessed microfinance. Using Table 5.21, the mean gross profit margin of the 128 firms (N) before access to microfinance was 0.15 and after access to the microfinance it was 0.43. It can be deduced that access to microfinance increased the gross profit margin of an average firm. According to Alhassan, Hoedoafia and Braimah (2016), there was a significant increase in the average monthly gross profit over time after microfinance was given to some women-owned SMEs in Ghana. These results concur with what this study established. However, Alhassan, et al (2016) go on to qualify their findings by stating that the increment that they found was too small to be of practical generalisation.

5.2.1.2 Access to Microfinance and Net Profit Margin

Figure 5.5 below shows the results of a distribution normality test using the Q-Q plot of the differences

in net profit margin before and net profit margin after access to microfinance.

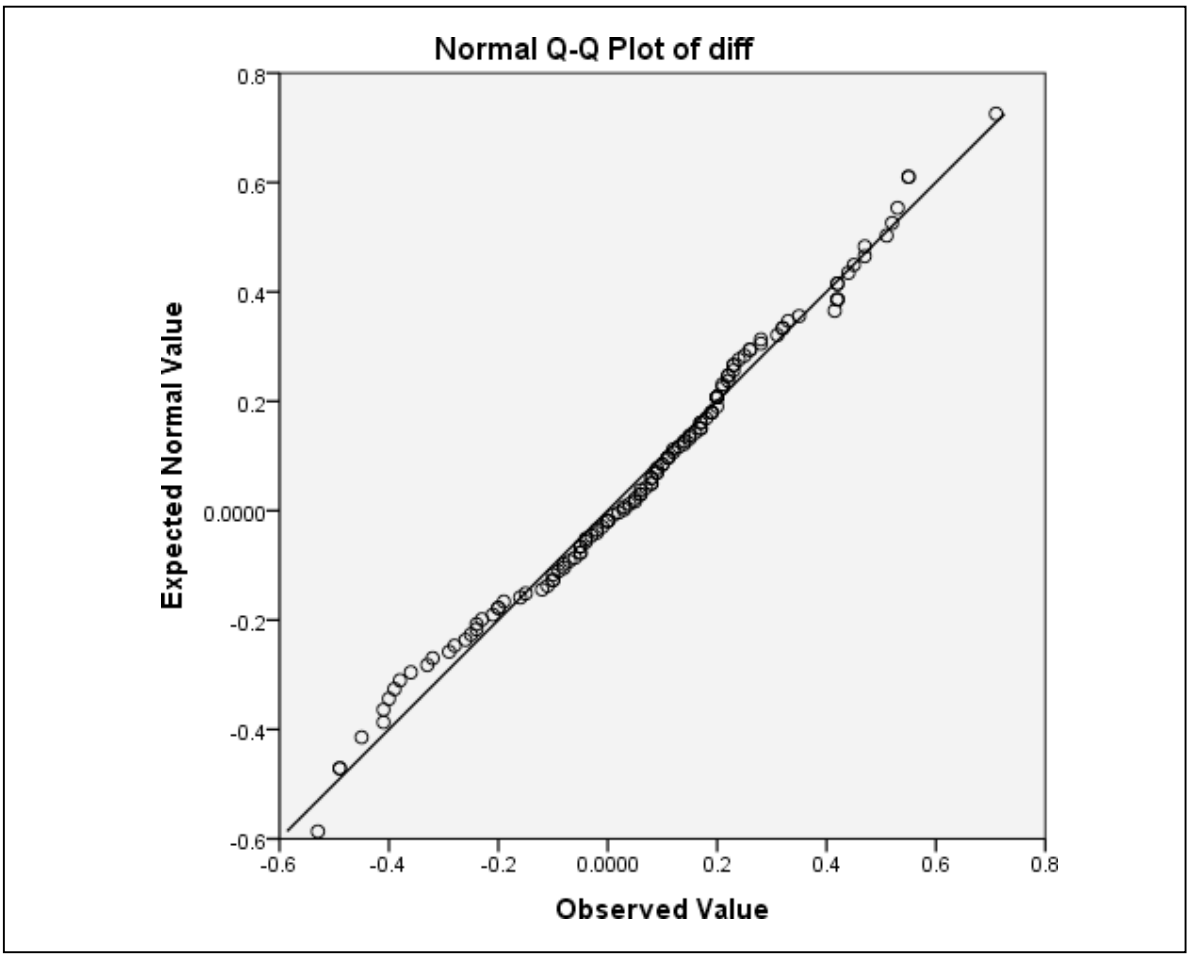

Figure 5.5: Q-Q Plots of differences in Net Profit Margin before and after Access to Microfinance

Source: Author's Analysis (2019)

The observed values are clustered around the observed=expected line. This confirms the normality of the distribution of the net profit margins of the firms studied. Tables 5.22 and 5.23 show the results of the paired sample t-test for the net profit margins before and after access to microfinance services.

Table 5.22: Net Profit Margin - Paired Sample Test

		95% Confidence Interval of the Difference				
		Lower	Upper	T	df	Sig. (2-tailed)
Pair 1	Before – After	-.11388	-.02510	-3.098	127	.002

Source: SPSS Output (2019)

Table 5.23: Net Profit Margin - Paired Sample Statistics

		Mean	N
Pair 1	Before	-0.0358	128
	After	-0.0337	128

Source: SPSS Output (2019)

Table 5.22 shows that at 95% confidence interval, the results would give a mean net profit margin ranging from -0.11 to -0.03. The t-statistic was -3.098 at 127 degrees of freedom (df). At a 2-tailed Sig. value of 0.002, it shows that there is a very low probability of the results occurring by chance. This would warranty the rejection of H_1 and then accepting $H_{1\alpha}$ that there is a difference in the mean net profit margin before and after the firm has accessed microfinance services.

Table 5.23 goes on to show that the mean net profit margin (N=128) before and after the firms had access to microfinance were -0.04 and -0.03 respectively. This may be used to conclude that access to microfinance would raise the net profit margin of an average firm.

5.2.1.3 Access to Microfinance and Inventory to Sales Ratio

Figure 5.6 shows the results of a normality test of the distribution of the inventory to sales ratios as shown by the Q-Q plot of the ratios before and after access to microfinance services.

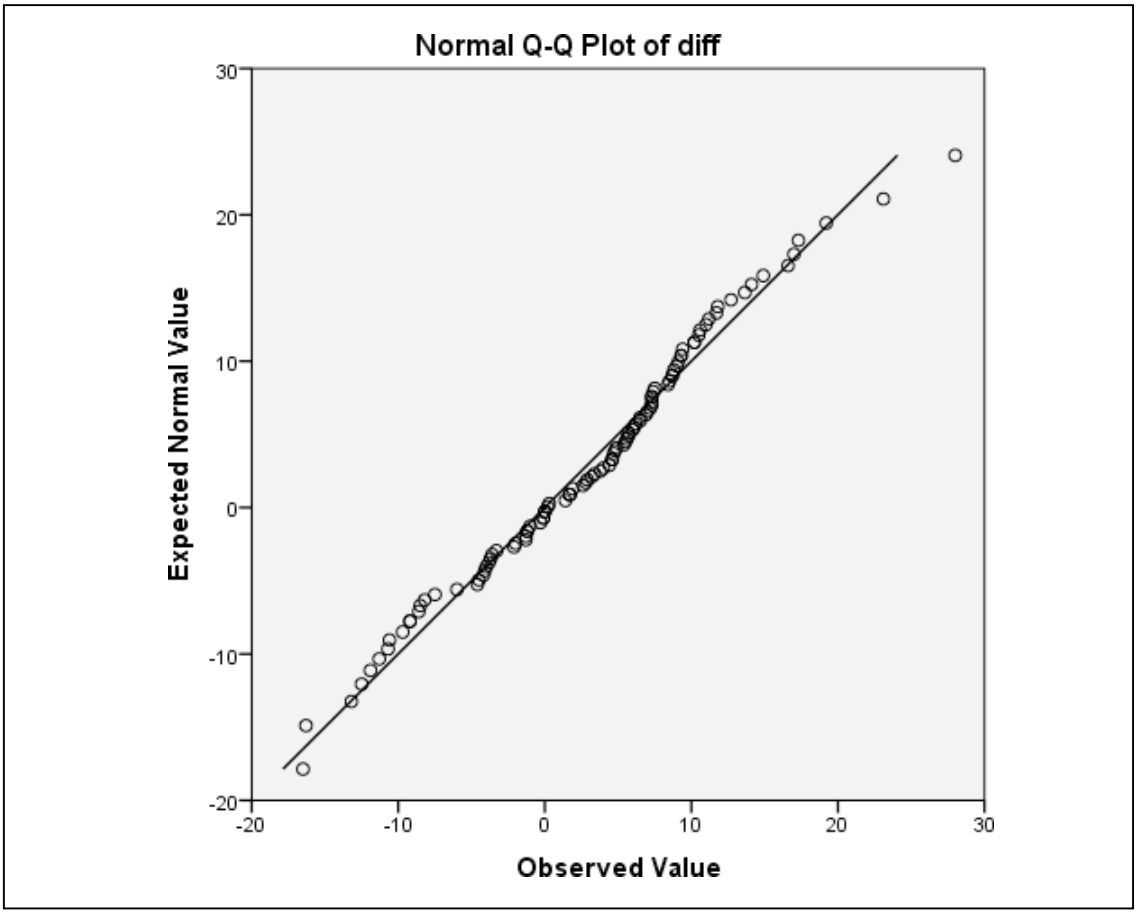

Figure 5.6: Q-Q Plot of the differences in inventory to sales ratio before and after access to microfinance

Source: Author's Analysis (2019)

Since the observed values are not dispersed from the observed=expected line, this shows that the normality test was passed. Furthering the analysis, paired sample t-tests results are shown in tables 5.24 and 5.25. Table 5.24 shows that at 95% confidence interval, the t-statistic was - 3.809 at 104 (N=105) degrees of freedom (df). The lower and upper bounds were -0.00471 and -0.00149 respectively. The p-value (2-tailed Sig.) was 0. This shows that there is enough statistical evidence to reject the null hypothesis H2 and hence accept the alternative hypothesis H2α that there is a difference in the mean inventory to sales ratio before and after the firms access microfinance.

Table 5.24: Inventory to Sales Ratio: Paired Sample Tests

		Paired Differences 95% Confidence Interval Of the Difference				
		Lower	Upper	T	Df	Sig. (2-tailed)
Pair 1	Before – After	-0.004710	-0.00148	-3.809	104	.000

Source: SPSS Output (2019)

Table 5.25: Inventory to Sales Ratio: Paired Sample Statistics

		Mean	N
Pair 1	Before	0.10257	105
	After	0.13354	105

Source: SPSS Output (2019)

Table 5.25 shows that the mean inventory to sales ratio for the 105 trading SEs before access to microfinance services was 0.1026 and after the access it was 0.13354. This shows that the inventory to sales ratio increased after accessing microfinance services.

5.2.1.4 Access to Microfinance and Debt Ratio

Figure 5.7 is a Q-Q plot of the differences in the debt ratios of the firms measured before and after access to microfinance services. It tests the normality of distribution of the debt ratios.

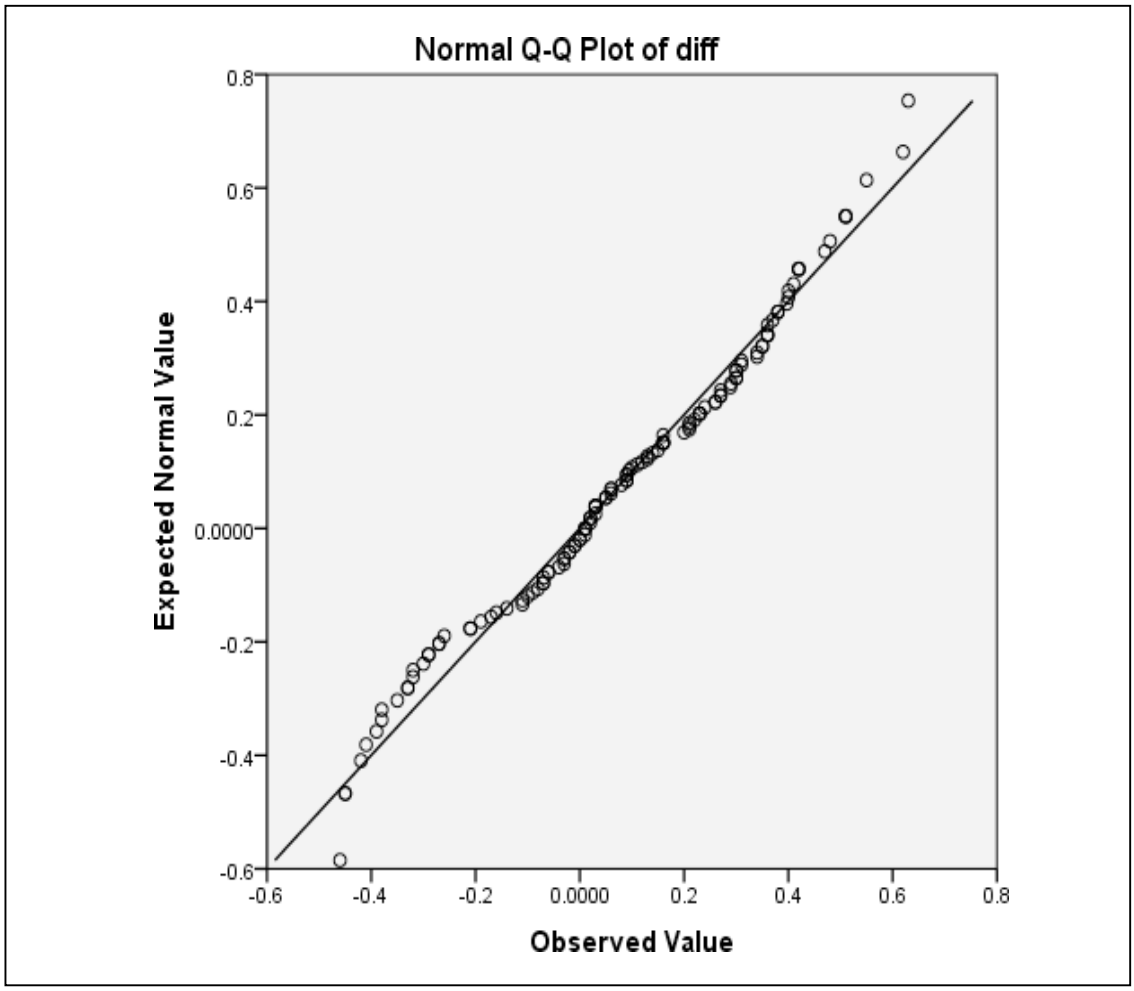

Figure 5.7: Q-Q Plot of the Differences in the Debt Ratio before and after Access to Microfinance services

Source: Author's Analysis (2019)

Since the observed values are not dispersed from the observed=expected line, the test was passed and it can be safely assumed that the ratios were normally distributed. Therefore, further paired sample t-tests could be done. The results are shown in tables 5.26 and 5.27.

Table 5.26: Debt Ratio - Paired Sample Tests

		Paired Differences				
		95% Confidence Interval of the Difference				
		Lower	Upper	T	Df	Sig. (2-tailed)
Pair 1	Before – After	-.1295928	-.0390165	-3.684	127	.000

Source: SPSS Output (2019)

Table 5.27: Debt Ratio - Paired Sample Statistics

		Mean	N
Pair 1	Before	.305070	128
	After	.3894	128

Source: SPSS Output (2019)

Table 5.26 depicts that at 95% confidence interval, the lower and upper bounds were - 0.1295928 and - 0.0390165 respectively. The t-static at 127 degrees of freedom (df) was - 3.684. The 2-tailed probability value (Sig.) was 0. This shows that there is enough statistical evidence to reject the null hypothesis H3 and hence accept the alternative hypothesis H3α that there is a difference in the mean debt ratio before and after the SEs accessed microfinance. Table 5.27 illustrates that the mean debt ratios before and after accessing microfinance services were 0.305070 and 0.3894. This shows that access to microfinance services increased the debt ratios.

5.3 Microfinance-SE Financial Performance Moderating Factors

The study identified the following eleven variables from literature as moderating factors in the microfinance-SE financial performance relationship.

Table 5.28: Variable Identification for the Study

Variables	Interpretation
$x1$	Diversion of loans by SEs beneficiaries
$x2$	Adequate liquidity in MFIs
$x3$	High competition in market
$x4$	Clear plans among the SEs
$x5$	Information access among the SEs
$x6$	Lack of collateral among SEs
$x7$	Limited training among the SEs
$x8$	Fraud among SEs
$x9$	Unregistered SEs
$x10$	Strict terms and conditions
$x11$	Ineffective leadership in the SEs

Source: Author's Analysis (2019)

The Stepwise Regression was applied to build the regression model. The SPSS package was used and it added or removed the predictor variables using F-test or T-test from an initial set of eleven variables; and then eliminated variables that were found to be insignificant in the model, till left with significant variables only. This process was augmented by chi square tests and analysis of variance (ANOVA) to ascertain model fitness.

Table 5.29: Analysis of the factors/variables-Regression Analysis: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.911[a]	.830	.794	.339
2	.911[b]	.830	.798	.336
3	.911[c]	.830	.802	.333
4	.911[d]	.830	.805	.330
5	.908[e]	.824	.802	.333

Source: SPSS Output (2019)

The multiple correlation coefficient (*R)* for all the models ranged from 0.908 to 0.911 denoting a good level of prediction for all models. Further, the coefficient of determination (R^2) for each model ranged from 0.794 to 0.805 signifying that the selected independent variables explained more than 79% of the dependent variable's variability.

Table 5.30: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.256	11	2.660	23.132	.000[b]
	Residual	5.979	52	.115		
	Total	35.234	63			
2	Regression	29.256	10	2.926	25.934	.000[c]
	Residual	5.979	53	.113		
	Total	35.234	63			
3	Regression	29.254	9	3.250	29.348	.000[d]
	Residual	5.981	54	.111		
	Total	35.234	63			
4	Regression	29.238	8	3.655	33.520	.000[e]
	Residual	5.997	55	.109		
	Total	35.234	63			
5	Regression	29.037	7	4.148	37.486	.000[f]
	Residual	6.197	56	.111		
	Total	35.234	63			

Source: SPSS Output (2019)

From the ANOVA table it can be seen that significance level is 0.000<0.05 for each model, which shows that the OLS model is valid because p-value is less than 0.05. As such, the regression model was a good fit for the current data.

5.3.1 Stepwise Selection of Significant factors

The stepwise selection method starts with a model with all the variables and eliminates them one by one depending on the significance of their coefficients. The backward selection was applied and the

results are presented in the subsections from Step 1 to Step 5.

Table 5.31: Step 1 with all the factors

Step 1	Factors	Significance
	Diversion of loans by SEs beneficiaries	.081
	Adequate liquidity in MFIs	.004
	High competition in market	.041
	Clear plans among the SEs	.016
	Information access among SEs	.000
	Lack of collateral among SEs	.000
	Limited training among the SEs	.000
	Fraud among SEs	.900
	Unregistered SEs	.987
	Strict terms and conditions	.697
	Ineffective leadership in the SEs	.265

Source: SPSS Output (2019)

Step 1 had all the eleven factors identified from the preliminary survey as having an effect on MFIs' ability to influence SE financial performance. Therefore, on Step 1 there was no elimination of variables.

Table 5.32: Step 2 Elimination of 'Unregistered SEs'

Step 2	Factors	Significance
	Diversion of loans by SEs beneficiaries	.032
	Adequate liquidity in MFIs	.004
	High competition in market	.039
	Clear plans among the SEs	.014
	Information access among SEs	.000
	Lack of collateral among SEs	.000
	Limited training among the SEs	.000
	Fraud among SEs	.899
	Strict terms and conditions	.694

	Ineffective leadership in the SEs	.257

Source: SPSS Output (2019)

Step 2 shows the elimination of 'Unregistered SEs' as it was highly insignificant with p-value of 0.987 (>0.05). Therefore, though the body of literature and some participants highlighted the possibility of MFIs activities to be influenced by activities of 'Unregistered SEs', in the current study it was found to have an insignificant effect.

Table 5.33: Step 3 Elimination of 'Fraud among SEs'

Step 3	**Factors**	**Significance**
	Diversion of loans by SEs beneficiaries	.003
	Adequate liquidity in MFIs	.001
	High competition in market	.036
	Clear plans among the SEs	.014
	Information access among SEs	.000
	Lack of collateral among SEs	.000
	Limited training among the SEs	.000
	Strict terms and conditions	.706
	Ineffective leadership in the SEs	.177

Source: SPSS Output (2019)

Step 3 shows the elimination of 'Fraud among SEs' as it was highly insignificant with p- value of 0.899 (>0.05). Despite having been identified in the preliminary survey, and highlighted by some participants, 'Fraud among SEs' was found to have an insignificant effect on SE financial performance.

Table 5.34: Step 4 Elimination of 'Strict terms and conditions'

Step 4	**Factors**	**Significance**
	Diversion of loans by SEs beneficiaries	.002
	Adequate liquidity in MFIs	.000
	High competition in market	.033
	Clear plans among the SEs	.012

	Information access among SEs	.000
	Lack of collateral among SEs	.000
	Limited training among the SEs	.000
	Ineffective leadership in the SEs	.181

Source: SPSS Output (2019)

Step 4 shows the elimination of 'Strict terms and conditions' as it was highly insignificant with p-value of 0.706 (>0.05). Despite having been identified in the preliminary survey, and highlighted by some participants, in the current study, 'Strict terms and conditions' was found to have an insignificant effect on SE financial performance.

Final Step-Significant factors

The final step presents data on the factors that were found to be significant in influencing MFI activities targeted at influencing SE financial performance.

Table 5.35: Final Step-Significant factors

	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
Model	B	Std. Error	Beta		
5 (Constant)	2.550	.325		7.852	.000
Diversion of loans by SEs	-.228	.059	-.310	-3.883	.000
Adequate liquidity in MFIs	.218	.044	.352	4.905	.000
High competition in market	-.148	.067	-.284	-2.216	.031
Clear plans among the SEs	.154	.059	.316	2.598	.012
Information access among SEs	.752	.084	1.112	8.971	.000
Lack of collateral among SEs	-.640	.098	-.769	-6.539	.000
Limited training among the SEs	-.307	.048	-.569	-6.462	.000

a. Dependent Variable: SE Financial Performance

Source: SPSS Output (2019)

The table shows the factors that were used to come up with the final model. The fitted model becomes:

$Y = 2.550-0.228x1 +0.218x2 -0.148x3 + 0.154x4 + 0.752x5 -0.640x6 -0.307x7 +\varepsilon$

Where:

Y is SE Financial Performance

$x1$ is Diversion of loans by SEs beneficiaries

$x2$ is Adequate liquidity in MFIs

$x3$ is High competition in market

$x4$ is Clear plans among the SEs

$x5$ is Information access among SEs

$x6$ is Lack of collateral among SEs

$x7$ is Limited training among the SEs

5.3.2 Interpretation of the Results

The results show that an increase in the following factors results in a reduction in the financial performance of SEs: Diversion of loans by SEs beneficiaries (coefficient=-0.228); Competition in the market (coefficient=-0.148); Lack of collateral amongst SEs (coefficient=-0.640) and Limited training amongst the SEs (coefficient=-0.307). Therefore, an increase in any of these factors significantly hinders the efforts of MFIs targeted at enhancing SE financial performance.

It was also shown that an increase in the following factors results in an improvement in SE financial performance: Adequate liquidity in MFIs (coefficient=+0.218); Clear plans among the SEs (+ 0.154) and information access among SEs (coefficient=+ 0.752). Therefore, a decline in any of these factors significantly hinders the efforts of MFIs targeted at enhancing SE financial performance.

5.3.3 Ranking with descending order of impact

The factors identified as having significant influence on MFIs efforts to enhance SE financial performance were ranked in order of impact and significance.

Table 5.36: Final Ranking

Factors	Impact	Significance	Rank
Information access among SEs	+0.752	0.000	1
Lack of collateral among SEs	-0.640	0.000	2
Limited training among the SEs	-0.307	0.000	3
Diversion of loans by SEs beneficiaries	-0.228	0.000	4
Adequate liquidity in MFIs	+0.218	0.000	5
Clear plans among the SEs	+0.154	0.012	6
High competition in market	-0.148	0.031	7

Source: Author's Analysis (2019)

The results show that information access among SEs ranked as first followed by lack of collateral, limited training and diversion of loans by SE beneficiaries. Adequate liquidity in MFIs, clear plans amongst SEs and high competition in the market had least impact. This implies that improving information access among SEs, addressing collateral issue, providing adequate training to the SEs and addressing the diversion of loans by SEs may help to obtain significant positive impact on SE financial performance through MFI activities.

5.4 Development of the SE microfinancing framework

In his quest to develop a microfinancing framework for SEs in Zimbabwe, the researcher reviewed existing literature on SE financing frameworks and also placed cognisance on the variables identified in the current study; which are the moderating factors in the microfinance-SE financial performance relationship.

5.4.1 The Proposed Conceptual Framework for SE Financing

The proposed MFI conceptual framework for SE microfinancing is depicted in Figure 5.8 below. The framework for SE financing was converted into software dubbed 'SE Framework'. The

programme was written in Visual Basic (VB).Net using Visual Studio 2017. The windows forms (screens) and source code are presented as appendices. Although several scholars have attempted to put forward frameworks for small enterprise financing (for example, Wangmo, 2016) the frameworks have not been as comprehensive as the current study's proposed framework. The current study's proposed framework is comprehensive and unique in that it guides MFIs in making SE microfinancing decisions and further links SE microfinancing with SE financial performance.

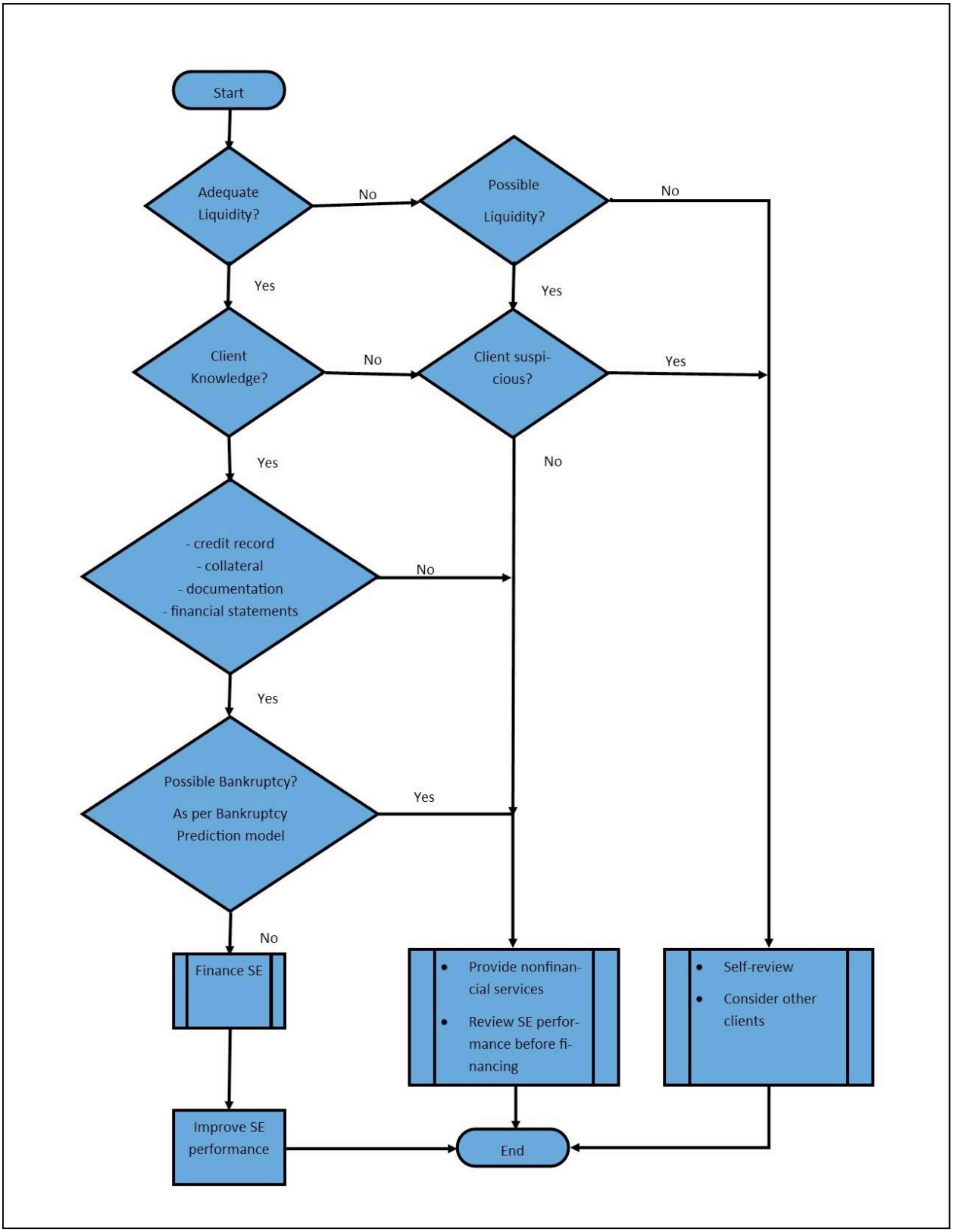

Figure 5.8: Proposed Conceptual Framework for SE Financing

5.5 Summary

The chapter documented the findings for the four research objectives.The study concludes that the following variables, in their order of significance contribute immensely to the complexity associated with MFIs' efforts to promote small enterprises in Zimbabwe: information access among SEs, lack of collateral, limited training, diversion of loans by SE beneficiaries, adequate liquidity in MFIs, clear plans among SEs and high competition in the market. In view of the variables outlined above, the research proposes an MFI conceptual framework for SE microfinancing, which places cognisance on adequate liquidity in the MFIs, sound client knowledge, availability of collateral, financial statements, proper documentation and credit record. The next chapter presents the summary of findings, conclusions and recommendations.

CHAPTER 6:

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary of Research Findings

In this section, the researcher presents the summary of the research findings established at the different phases of the research as guided by the research questions and objectives.

6.1.1 Accessibility of microfinance to Zimbabwean SEs

The study established SEs' selective demand for microfinance services; whereby the researcher noted the ease with which micro-credit can be accessed by SEs as compared to other MFI services such as micro leasing, micro saving and micro insurance which are generally considered inaccessible according to the responses given by the participating respondents. Micro venture capital and money transfer services are slightly accessible with 33.5% and 32.8% of the respondents attesting to the accessibility of the respective MFI services.

The correlational analysis of the impact of business risk and transactional costs on SEs' access to microfinance was carried out the study established a positive association between the amount of micro-credit and risk; as was depicted by the correlation coefficient of .52, $p < .05$. Since $p < 0.05$ (p=probability that results occurred by chance), the significance of the correlation is clearly evident; that is, it is not by chance. On the other hand, a weak negative association was evident from the correlation results with regards to the amount of micro-credit versus transactional costs.

The research focused on the key variables affecting the accessibility of microfinance namely insufficient collateral, previous credit record, documentation and the availability or non-availability of financial statements. The correlation analysis carried out showed negative relationship between Access to MF and Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements where correlation coefficients were -0.702, -0.717 and -0.727, respectively, at p-values of 0.000. There was a positive relationship between Access to MF and Previous Credit Record of 0.847 at a p-value of 0.000. All these relationships were strong and very statistically significant.

The research further employed multiple regression analysis in establishing how the variables

of the study relate. Multiple regression results indicated that there is a positive relationship between a previous credit record and access to finance. The coefficient of previous credit record is above 0.5, representing a strong relationship between previous credit record and access to finance. However, there is a negative relationship between access to finance and lack of proper documentation, insufficient collateral security and unavailability of financial statements. This means if a business lacks proper documentation, or has insufficient collateral security and has no financial statements, then the business will find it difficult to access a loan. However, all the negative coefficients are below absolute 0.5, representing a weak relationship between access to finance and lack of proper documentation, insufficient collateral and unavailability of financial statements.

All the four independent variables namely collateral requirement, proper documentation, availability of financial statements and previous credit record have a significant impact on the accessibility of microfinance to SEs. Findings of the current study revealed that microfinance accessibility is influenced by MFI's collateral requirements. Most SEs in Zimbabwe fail to be considered for microfinance by MFIs on the basis of lack of collateral security. But most Zimbabwean SEs are still start- ups and therefore lack the adequate resources to offer as collateral. It is also in light of the foregoing that MFIs perceive such SEs as highly risky. On another note, it also emerged from the study that SEs find collateral requirement a disincentive to apply for microfinance from MFIs. Previous credit record was also found to have an influence on the ability of SEs to access microfinance from MFIs. In the same vein, financial statements availability and proper documentation were also found to have a significant impact on SEs' opportunities of accessing finance from MFIs.

6.1.2 Impact of microfinance on SE financial performance

The current study established that access to microfinance has had a positive impact on an average SE's financial performance. The financial performance measure (FPM) with the highest improvement after access to the microfinance services is the increase in profits per employee (49% of the respondents generally agreed so). This was followed by the gross profit margin (46% general agreement); Cash flow to total debt and Increase in profit before tax (both 44% general agreement); Net profit ratio, Increase in working capital, Net working capital (NWC) and Operating profit to operating assets (all 41% general agreement); and increase in total assets

(40% general agreement).

It can therefore be deduced that access to microfinance generally could not improve all the FPMs. The most improved FPMs, though, are profitability measures (increase in profit per employee, gross profit margin, net profit ratio, increase in profit before tax and operating profit to total assets). This implies that access to microfinance improved profitability for an average SE. The results indicated that the majority of the respondents agreed on the increase of their fund, ability to cope with new technology and to compete, access to market as well as increased number of experienced employees as the result of an MFI loan. And this leads to the increased number of branches, increased number of customers as well as creation of employment opportunities.

The research participants also revealed that after accessing microfinance, the standard of living for both SE owners and employees have improved and on the other hand, SEs were able to enjoy economies of scale. Similar sentiments were expressed by Kobla (2009) who examined the impact of microfinance banks on small-scale enterprises in the South Tongu district of Ghana through the use of descriptive statistics. The study revealed that beneficiaries who benefitted considerably from the products of microfinance enjoyed increase in income, increase in equipment, creation of employment, and improvement in the standard of living.

To prove that access to microfinance would improve the FPMs over time, paired sample t-tests were done on the four frequently used ratios, namely net profit margin, inventory to sales ratio, gross profit margin and debt ratio. The ratios for each participant firm were studied before and after the access to microfinance services to see if the access to the microfinance service would have had made any impact.

A difference (diff) was calculated for every financial performance measure by subtracting the ratios before from the ratios after the access to microfinance services. This difference distribution was then tested for normality, this distribution being taken to represent the distribution of the ratios. After the data had passed the normal distribution assumption test, paired sample t-tests were then analysed.

At 95% confidence interval, the mean gross profit margin would range from -0.44 to -0.12. Thus accepting the proposition that there is a difference in the mean gross profit margin before and after the firm has accessed microfinance. The mean gross profit margin of the 128 firms (N)

before access to microfinance was 0.15 and after access to the microfinance it was 0.43. It can be deduced that access to microfinance increased the gross profit margin of an average firm. The mean net profit margin (N=128) before and after the firms had access to microfinance was -0.04 and -0.03 respectively. This may be used to conclude that access to microfinance would raise the net profit margin of an average firm. The mean inventory to sales ratio for the 105 trading SEs before access to microfinance services was 0.1026 and after the access it was 0.13354. This shows that the inventory to sales ratio increased after accessing microfinance services. Finally, the mean debt ratios before and after accessing microfinance services were 0.305070 and 0.3894. This shows that access to microfinance services increased the debt ratios.

6.1.3 Moderating Factors in the Microfinance-SE Financial Performance Relationship

The results show that information access amongst SEs ranked as first followed by lack of collateral, limited training and diversion of loans by SE beneficiaries. Adequate liquidity in MFIs, clear plans amongst SEs and high competition in the market had least impact. This implies that improving information access among SEs, addressing collateral issue, providing adequate training to the SEs and addressing the diversion of loans by SEs may help to obtain significant positive impact on SE financial performance through MFI activities.

6.1.4 The Proposed Framework for SE microfinancing

The proposed conceptual framework for SE microfinancing is firmly grounded on the need for the MFI to conduct a 'Self Check' exercise as well as to gain adequate knowledge of the client. Credit history, proper documentation, financial statements and collateral security are some of the critical factors to consider before extending microfinance services to SEs. The final SE financing decision should be based on a good bankruptcy prediction model, otherwise the MFI should provide non-financial services if the model is bad.

6.2 Conclusions

The researcher makes the following conclusions on the pertinent objectives of the current study.

6.2.1 On Accessibility of microfinance to Zimbabwean SEs

- Overall, the study concludes that SEs still have limited access to microfinance services in Zimbabwe.
- The research also concludes that microcredit is the most demanded and most accessible microfinance service amongst SEs in Harare.
- The research further concludes that there is a positive association between the amount of micro-credit and risk.
- On the other hand, a weak negative association is evident from the correlation results.
- The research concludes that a negative negative relationship subsists between Access to MF and Insufficient Collateral Security, Lack of Proper Documentation and Unavailability of Financial Statements where correlation coefficients were -0.702, -0.717 and -0.727, respectively, at p-values of 0.000.
- There is a positive relationship between Access to MF and Previous Credit Record.
- These findings are generally in agreement with those of Nkwabi and Mboya (2019)

6.2.2 On The Impact of Microfinance on SE financial performance

- Consistent with Amsi, Ngare, Imo and Gachie (2017) the current study concludes that microfinance has a positive impact on an average SE's financial performance.
- The financial performance measure (FPM) with the highest improvement after access to the microfinance services is the increase in profits per employee.
- It can be concluded that access to microfinance generally may not improve all the FPMs.

6.2.3 On the moderating factors

- The study concludes that the following variables, in their order of significance contribute immensely to the complexity associated with MFIs' efforts to promote small enterprise growth and development in Zimbabwe: information access among SEs, lack of collateral, limited training, diversion of loans by SE beneficiaries, adequate liquidity in MFIs, clear plans among SEs and high competition in the market.
- The factors identified in the current study are almost similar to the ones by Neubauer and Lank (2016).

6.2.4 On The Framework for SE microfinancing

- An MFI needs to determine whether or not it has the requisite capacity to finance an SE seeking the microfinance; before committing to finance it.
- The MFI also has to gain adequate knowledge of the client before financing.
- Over and above the assessment of an SE through the criteria of credit record, collateral, documentation and financial statements, MFIs ought to consider the possible bankruptcy of the SE through the use of bankruptcy prediction models.

6.3 Recommendations

The present research makes the following recommendations to the various parties whom the researcher deems as beneficiaries of the research.

6.3.1 To Small Enterprises

- Cognisant of the SEs' selective demand for microfinance services; whereby microcredit emerged as both the most demanded and most accessible microfinance service among SEs in Harare, the researcher recommends that SEs in Zimbabwe broaden their horizons by targeting a wide range of services offered by MFIs; which could further unlock their competitiveness and improved financial performance.
- Considering that the research noted the ease with which micro-credit can be accessed by SEs as compared to other MFI services in Zimbabwe, the researcher recommends that SEs capitalise on this business financing opportunity and broaden the scope of their operations and achieve the much desired business growth and development.
- The key variables affecting the accessibility of microfinance are insufficient collateral, previous credit record, documentation and the availability or non-availability of financial statements. As such, it is in each SE's best interest to always strive to invest in non-current assets, which can be used as collateral, be in possession of proper documentation and maintain a standard set of financial statements.
- The study found that among the moderating factors in the microfinance-SE financial performance relationship information access amongst SEs ranked first. The researcher therefore recommends that SEs always strive to be abreast with developments in the economy to be able to make effective business decisions. As small enterprises, there is

need to have one member of the organisation specialising in environmental scanning so as to inform the decisions and operations of the enterprise.

6.3.2 To Microfinance Institutions

- Findings of the current study revealed that microfinance accessibility is influenced by MFI's collateral requirements. In light of this, the researcher recommends that MFIs consider both collateral and other SE factors such as the availability of competent personnel within the SE who can properly manage the business and guarantee the success of the business; other things being constant.
- The study found that among the moderating factors in the microfinance-SE financial performance relationship, information access amongst SEs and limited training ranked first and third respectively. The study therefore recommends that apart from providing the much-demanded microcredit to SEs, MFIs should expend much more of their efforts providing non-financial services with emphasis on information provision and training.

6.3.3 To the Government

- The current study concludes that access to microfinance has had a positive impact on an average SE's financial performance. Improved financial performance can be translated to improved growth and development of the SE and the government cannot manage to ignore this fact. The researcher thus recommends that the government put in place policies specifically aimed at enhancing both MFI and SE operations.

6.3.4 For further research

- The present research focused on the key variables affecting the accessibility of microfinance namely insufficient collateral, previous credit record, documentation and the availability or non-availability of financial statements. The researcher recommends future researchers to investigate the impact of other variables not covered in the current research. Impact of microfinance on SE financial performance
- The current study was carried out in Harare and it is the researcher's recommendation that future researchers carry out similar researches in a broader context by targeting a broader population base across the country and regionally.

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APPENDICES

Appendix 1: Questionnaire for Heads or Owners of Small Enterprises (SEs)

School of Post-Graduate Studies

My name is Norbert Hosho, a PhD student from the University of Lusaka, School of Post Graduate Studies. I am carrying out a research which seeks to establish the extent to which Zimbabwean small enterprises operating from Harare are able to access microfinance and how access to microfinance can foster the growth of SEs through improved financial performance. I kindly ask you to complete this questionnaire, which is strictly for academic purposes. I assure you that all responses will be treated with confidentiality.

Instructions

- This questionnaire is to be completed by either the business owner or the most senior manager.
- For multiple choice questions, indicate your answers with an (x) in the appropriate box.
- For open-ended questions, please type in your answer in the space provided.
- Should you have any questions pertaining to the questions in this questionnaire, do not hesitate to send me an email on norbert.hosho@gmail.com.

SECTION A: THE SE HEAD OR OWNER

This section seeks to gather demographic information relating directly to the respondent who is either the SE owner or head.

1) Position of respondent in the in the SE

Owner	
Manager	

2) Gender of respondent

Male	
Female	

3) Age of respondent (in years)

18 to 28	
29 to 38	
39 to 48	
49 to 58	
59+	

4) Duration in current position (in years)

Less than 1	
1 to 5	
6 to 10	
11 to 15	
Above 15	

5) Highest level of Education

Primary	
Secondary	
Diploma	
Degree	
Postgraduate	

SECTION B: THE ENTERPRISE

The purpose of this section is to establish the characteristics of the business enterprise.

6) Business Category

Manufacturing and Engineering	
Retail and Wholesale	
Services (Legal, Accounting, Tourism etc.)	
Transport and Logistics	
Mining	
Information and Communication Technology	
Food and Beverages	
Education and Arts	

7) Type of Business

Sole Proprietor	
Family Business	
Partnership	
Cooperative	
Private Limited Company	

8) Number of Employees

0 to 6	
7 to 19	
20 to 32	
33 to 40	
Above 40	

9) Legal Status of Business

Registered	
Not registered	

10) For how long has your business been operating?

Less than 1 year	
1 to 5 years	
6 to 10 years	
11 to 15 years	
Above 15 years	

11) Does Owner or Manager manage the business?

Owner	
Manager	

SECTION C: MICROFINANCE SERVICES AND THEIR ACCESSIBILITY

12) Please indicate the extent to which your enterprise has ever been in need of the following microfinance services. Key: N=Never; LE=Little Extent; GE=Great Extent; VG=Very Great Extent

	N	LE	GE	VG
Micro-credit services				
Micro-leasing services				
Micro-venture capital				
Saving services				
Micro-insurance services				
Money transfer services				

13) Please indicate the extent to which you agree that your enterprise has been able to access the following microfinance services to date. Key: SA=Strongly Agree; Agree=Agree; D=Disagree; SD=Strongly Disagree

	SA	A	D	SD
Micro-credit services				
Micro-leasing services				
Micro-venture capital				
Saving services				
Micro-insurance services				
Money transfer services				

14) If your entity borrowed from a financial institution, how easy has it been to access loans from such institutions?

Extremely difficult	Very difficult	Fairly easy	Very easy	Extremely easy

15) How often did the financier give the loan that you applied for?

Always	Sometimes	Rarely	Never

If your answer to the above is not 'Always', to what extent do you believe the failure to get the full amount applied for resulted from the following problems? Key: N=Never; LE=Little Extent; GE=Great Extent; VG=Very Great Extent

	N	LE	GE	VG
Insufficient collateral				
Poor documentation				
Previous credit record				
Lack of financial statements				

The end. Thank you!

Appendix 2: Questionnaire for Accounting Officers in Small Enterprises

School of Post-Graduate Studies

My name is Norbert Hosho, a PhD student from the University of Lusaka, School of Post Graduate Studies. I am carrying out a research which seeks to establish the extent to which Zimbabwean small enterprises operating from Harare are able to access microfinance and how access to microfinance can foster the growth of SEs through improved financial performance. I kindly ask you to complete this questionnaire, which is strictly for academic purposes. I assure you that all responses will be treated with confidentiality.

Instructions

- This questionnaire is to be completed by the accounting officer.
- For multiple choice questions, indicate your answers with an (X) in the appropriate box.
- For open-ended questions, please type in your answer in the space provided.
- Should you have any questions pertaining to the questions in this questionnaire, do not hesitate to send me an email on norbert.hosho@gmail.com.

SECTION A: THE SE ACCOUNTING OFFICER

This section seeks to gather demographic information relating directly to the respondent who is the one responsible for the finance and accounting in the Small Enterprise.

1) Gender of respondent

Male	
Female	

2) Age of respondent (in years)

18 to 28	
29 to 38	
39 to 48	
49 to 58	
59+	

3) Duration in current position (in years)

Less than 1	
1 to 5	
6 to 10	
11 to 15	
Above 15	

4) Highest level of Education

Primary	
Secondary	
Diploma	
Degree	
Postgraduate	

SECTION B: THE ENTERPRISE

The purpose of this section is to establish the characteristics of the business enterprise.

5) Business Category

Manufacturing and Engineering	
Retail and Wholesale	
Services (Legal, Accounting, Tourism etc.)	
Transport and Logistics	
Mining	
Information and Communication Technology	
Food and Beverages	
Education and Arts	

6) Type of Business

Sole Proprietor	
Family Business	
Partnership	
Cooperative	
Private Limited Company	

SECTION C: MEASURING FINANCIAL PERFORMANCE

7) Please indicate the extent to which you agree that you have been monitoring the following measures of financial performance since your enterprise began accessing microfinance services to date. Key: SA=Strongly Agree; Agree=Agree; D=Disagree; SD=Strongly Disagree

	SA	A	D	SD
Increase in profit before tax				
Growth in annual revenue				
Increase in profit per employee				

Increase in working capital				
Increase in total assets				

8) To what extent have you used the following financial ratios when measuring your enterprise's financial performance? Key: N=Never; LE=Little Extent; GE=Great Extent; VG=Very Great Extent

Financial ratios	N	LE	GE	VG
Current ratio (current assets to current liabilities)				
Gross profit margin ratio (gross profit to net sales)				
Inventory turnover (inventory to sales)				
Operating profit to operating assets				
Net working capital to total assets				
Earnings after tax (PAT) to total assets				
Return on equity (ROE)				
Net profit ratio				
Inventory, debtors, creditors' days				
Times interest earned (income before interest and taxes [EBIT] to interest expense)				
Net working capital (NWC)				
Total assets turnover (sales to total assets)				
Debt ratio (total debt to total assets)				
Cash flow to total debt				

SECTION D: IMPACT OF MICROFINANCE ON FINANCIAL PERFORMANCE

9) Please indicate the extent to which you agree or disagree with the statement that access to the following microfinance services improves organisational financial performance.

Key: SA=Strongly Agree; Agree=Agree; NS=Not Sure; D=Disagree; SD=Strongly Disagree

	SA	A	NS	D	SD
Micro-credit services					
Micro-leasing services					
Micro-venture capital					
Saving services					
Micro-insurance services					
Money transfer services					

10) Please indicate the extent to which you agree or disagree with the statement that access to one or more microfinance services improves the following measures of organisational financial performance. Key: SA=Strongly Agree; Agree=Agree; NS=Not Sure; D=Disagree; SD=Strongly Disagree

Financial ratios	SA	A	NS	D	SD
Current ratio (current assets to current liabilities)					
Gross profit margin ratio (gross profit to net sales)					
Inventory turnover (inventory to sales)					
Operating profit to operating assets					
Net working capital to total assets					
Earnings after tax (PAT) to total assets					
Return on equity (ROE)					
Net profit ratio					
Inventory, debtors, creditors' days					
Times interest earned (income before interest and taxes [EBIT] to interest expense)					
Net working capital (NWC)					
Total assets turnover (sales to total assets)					
Debt ratio (total debt to total assets)					
Cash flow to total debt					
Other measures of financial performance	SA	A	NS	D	SD
Increase in profit before tax					
Growth in annual revenue					

Increase in number of employees					
Increase in profit per employee					
Increase in working capital					
Increase in total assets					

11) Please indicate the changes in ratios that you normally calculate; before and after accessing microfinance.

Financial ratios	Before microfinance	After microfinance

The end. Thank you!

Appendix 3: Questionnaire for Microfinance Institutions' Heads

School of Post-Graduate Studies

My name is Norbert Hosho, a PhD student from the University of Lusaka, School of Post Graduate Studies. I am carrying out a research which seeks to establish the extent to which Zimbabwean small enterprises operating from Harare are able to access microfinance and how access to microfinance can foster the growth of SEs through improved financial performance. I kindly ask you to complete this questionnaire, which is strictly for academic purposes. I assure you that all responses will be treated with confidentiality.

Instructions

- This questionnaire is to be completed by the MFI head or representative.
- For multiple choice questions, indicate your answers with an (x) in the appropriate box.
- For open-ended questions, please type in your answer in the space provided.
- Should you have any questions pertaining to the questions in this questionnaire, do not hesitate to send me an email on norbert.hosho@gmail.com.

SECTION A: THE MFI HEAD

1) Gender of respondent

Male	
Female	

2) Age of respondent (in years)

Up to 35	
36 to 45	
46 to 55	
56 to 65	

3) Duration in current position (in years)

Up to 5	
6 to 10	
11 to 15	
16+	

4) Highest level of Education

Primary	
Secondary	
Diploma	
Degree	
Postgraduate	

SECTION B: THE MFI AND SERVICE PROVISION

5) How long have you been operating as a microfinance in Zimbabwe?

Up to 5 years	
6 to 10 years	
11 to 15 years	
More than 15 years	

6) What microfinance services currently constitute your service portfolio?

……

……..

7) To what extent are you extending these microfinance services to SEs?

……

……

8) Did the SEs you are currently servicing record any performance growth in the past 5 years?

Yes	
No	
Not sure	

SECTION C: FACTORS IN THE MICROFINANCE-SE FINANCIAL PERFORMANCE RELATIONSHIP

9) To what extent do you consider the following as factors affecting the promotion of SE financial performance through microfinance in Zimbabwe? Key: Strongly Agree=SA; Agree=A; Neutral=N; Disagree=D; Strongly Disagree=SD

Factor	**SA**	**A**	**N**	**D**	**SD**
Fraud among SEs					
Lack of adequate liquidity in MFIs					
Diversion of loans by SEs beneficiaries					
Unregistered SEs					
High competition in market (from banks and individuals)					
Lack of clear plans among the SEs					
Information access among Small Enterprises					
Lack of collateral among SEs					
The strict terms and conditions					
Limited training among the SEs					
Ineffective leadership in the SEs					

11) What do you consider to be the missing link with regards to the integration of

microfinance with a view to improving the financial performance of SEs in Zimbabwe?

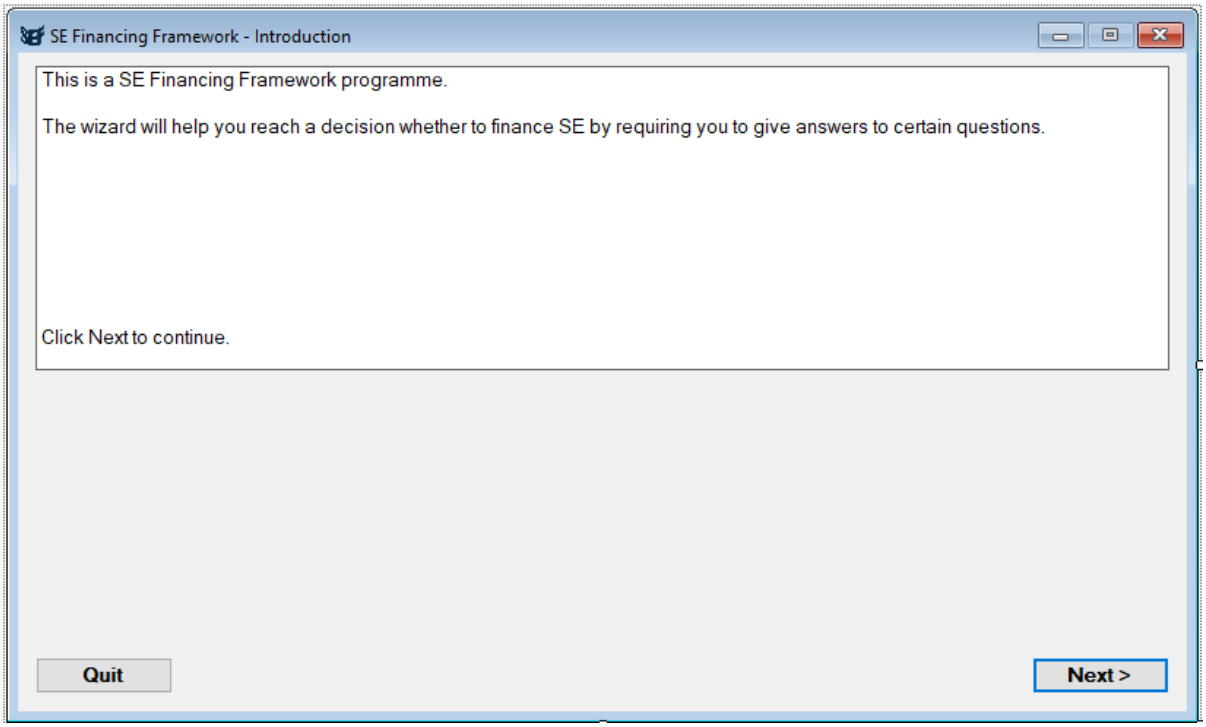
……..

The end. Thank you!

Appendix 4: Framework Application Design and Coding

Forms

Introduction



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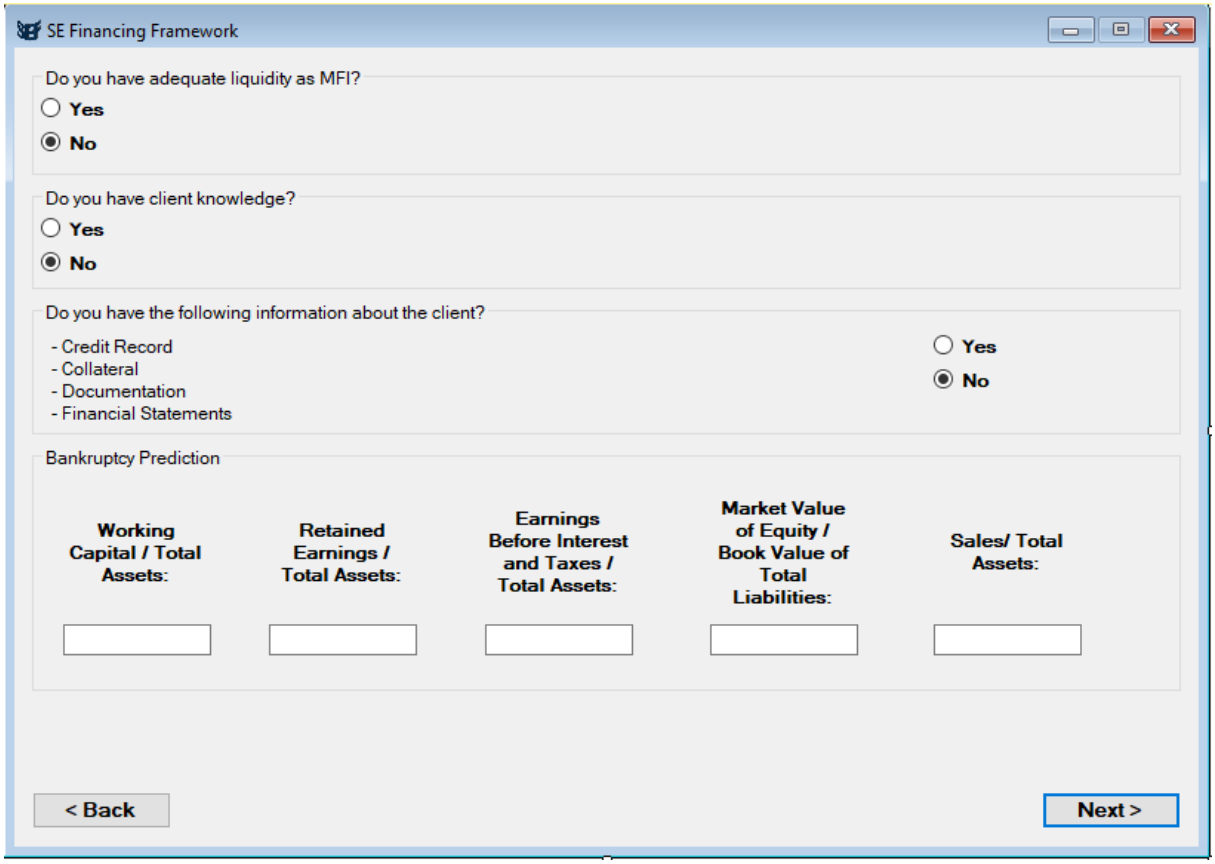

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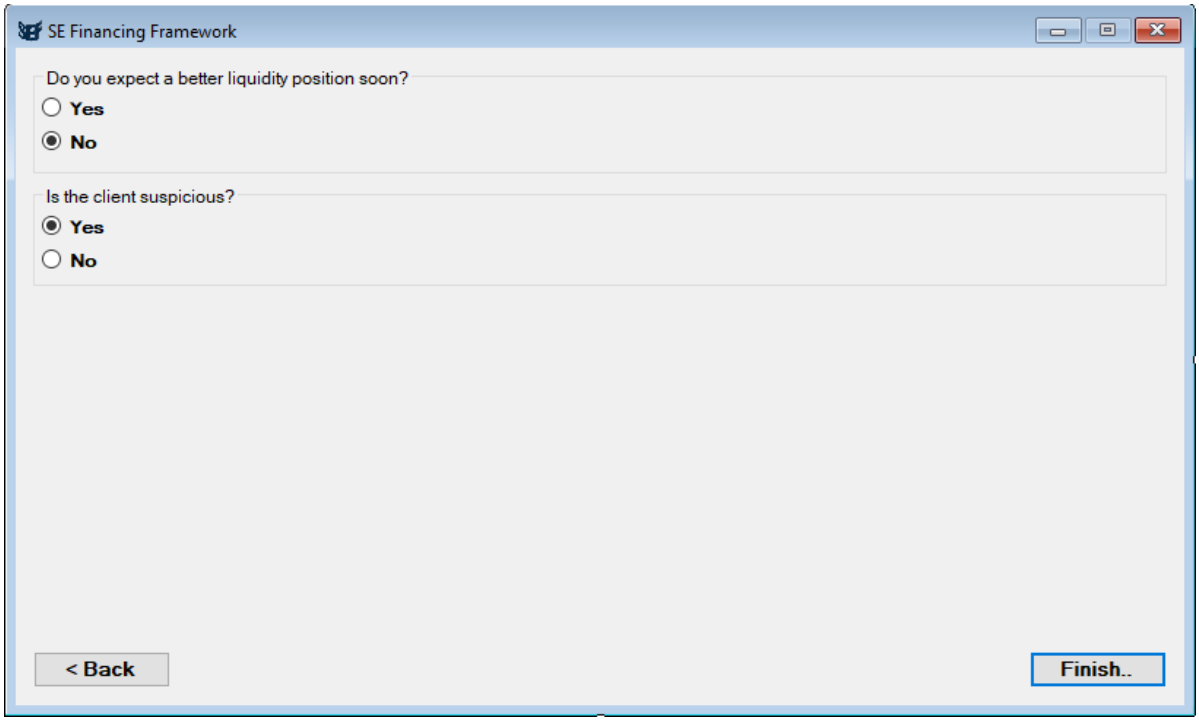

Fourth Screen