GRADUATE BUSINESS SCHOOL

IMPACT OF MICROFINANCE ON THE WELFARE OF HOUSEHOLDS: A CASE STUDY OF CHIPINGE.

SUBMITTED BY

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I, the undersigned do hereby certify that I have read and therefore recommend to Great Zimbabwe University for acceptance; a research project titled "Impact of Microfinance on the Welfare of households: A case study of Chipinge" submitted by Kudzai Chihanya in partial fulfilment of the requirements of the Master of Commerce in Development Finance.

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DECLARATION

I, Kudzai Chihanya, do hereby declare that this research project is a presentation of my own work except to the extent indicated in the Acknowledgements, References and comments included in the body of the report and that it has not been submitted in part or in full to another University or any other Institution of higher learning.

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ABSTRACT

This research examined the impact of microfinance on the welfare of households in Chipinge. The study targeted thirty-eight households and twelve microfinance practitioners based on a convenience sampling technique. Various welfare indicators headlined with the dominant selected being food-related, asset-related, and dwelling indicators. The study found that microfinance access has a significantly high impact on household welfare in Chipinge based on the results obtained from the study by comparing those clients with access and those with no access to microfinance in the community.

The study also found that microfinance institutions face challenges in trying to offer their services to the Chipinge community and recommendations were proffered through interviews to improve the services offered to the community, hence indirectly impacting their welfare. Based on the findings, the study recommends that policymakers in the country pay attention to refining the policy to ensure that certain variables identified to interfere with microfinance access do not crowd out the intended beneficiaries of microfinance. Recommendations are also proffered to stakeholders (policymakers and microfinance institutions) to be innovative in ensuring those in deep rural areas are not financially excluded.

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DEDICATION

This work is dedicated to my spouse Chiedza who has offered me the courage and strength to do my best in everything l do and has dared me to dream. She has been there for me throughout with moral support.

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LIST OF ABBREVIATIONS

CGAP	Consultative Group to Assist the Poor
DTMFIs	Deposit Taking Microfinance Institutions
GoZ	Government of Zimbabwe
NGOs	Non-Governmental Organisations
GoZ	Government of Zimbabwe
MFIs	Microfinance Institutions
RBZ	Reserve Bank of Zimbabwe
SDG	Sustainable Development Programme
SME	Small to Medium Enterprises
SMEDCO	Small and Medium Enterprises Development Corporation
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

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CHAPTER I: INTRODUCTION

1.1 Introduction

The aim of this study is to determine whether microfinance improves the welfare of households of people who access Microfinance services in Chipinge Zimbabwe. The chapter looks at the background of the study. It also discusses the statement of the problem. The research objectives which were transformed into research questions are also presented. The scope and limitations of the study have been clearly articulated.

1.2 Background of the Study

Microfinance provides services to low-income and extremely low-income people (Otero, 1999). The restricted field of microcredit gave way to the broader field of microfinance (Helms, 2006; Elahi and Rahman, 2006; Henry, 2003). Giving impoverished people modest loans is the narrow definition of microcredit, however, a broader definition of the term is microfinance, which includes a wide range of financial services for the underprivileged. The historical development of microcredit and ultimately microfinance is provided by Helms (2006). Global development efforts have been centred on reducing poverty and inequality, and microfinance has been one of the most important tools used by decision-makers to accomplish this goal. One of the economic regions in the world with the largest income inequality and poverty according to Agyire-Tettey et al, (2018) is Sub-Saharan Africa, and is also otherwise one of the regions characterised by the growth of the microfinance market as pointed out by the Microfinance Barometer of 2019.

Microfinance has been recognised as a tool to combat poverty since the 1970s when Muhammed Yunus made the so-called poor bankable to realise his vision of a world free from poverty. Following the success of his model, support for microfinance in development as a cutting-edge tool for ending poverty and empowering the economy has grown even further. The Asian Development Bank (2000) lists a number of these players: multilateral and bilateral lending agencies, developing and developed countries (governments), non-governmental organisations, and private banking institutions.

Microfinance has played a significant role in Zimbabwe's development trajectory; therefore, this country is not an exception. Mago (2013) claims that the microfinance industry in Zimbabwe began in the 1960s when people were organised into groups to start savings clubs. People had access to finance from friends and family before these groupings, which is a universal phenomenon that is not unique to Zimbabwe. According to Adams and Raymond (2008), informal credit sources have been giving peasants credit for centuries, which is also true for the Zimbabwean situation. These sources include family members, friends, moneylenders, commercial agents, and group-based Rotating Savings and Credit Associations (ROSCAs)

Against the backdrop of high unemployment, poverty and inequality in Zimbabwe, the government adopted a microfinance programme in pursuit of poverty eradication, inclusive economic growth, and development. Accordingly, policies, legislation and regulations were reformed to provide a thriving and enabling environment for microfinance. The case in point is the Government of Zimbabwe's (GoZ) involvement in assisting SMEs and smallholder farmers through its parastatals such as AFC Bank formally known as Agribank, Small and Medium Enterprise Development Corporation (SMEDCO). The government through its portfolios also gives loans to women and youth for their developmental projects meant to pull them out of poverty with the Zimbabwe Women’s Bank and Empower Bank being some of the examples of financial institutions set by the government to promote financial inclusion. This initiative resulted from swelling unemployment among the youth and was also used as an empowerment strategy for women. These reforms institutionalised microfinance suitably for the supply and demand needs of lower-income households.

On the demand side, microfinance attempted to mobilise savings from the poor to earn interest on deposits while on the supply side, microfinance was supposed to release capital limitations, encourage investment, smoothen consumption over time, and fulfil emergency liquidity needs of impoverished households. As a result, Zimbabwean microfinance institutions provide loan, deposit, and microinsurance financial services (products) that are thought to be beneficial in enhancing the welfare of households, placing microfinance at the centre of government interventions aimed at eradicating poverty.

Small business lenders, cooperative financial institutions, primary banks, housing microfinance companies, and salary-based micro-lenders are just a few of the microfinance players in the nation that provide the services that are thought to be essential for reducing poverty and enhancing household welfare. The Reserve Bank of Zimbabwe (2022) estimated that the microfinance sector is worth about ZWL$46.01 billion. The sector has been characterised as maturing, and the rising branch count indicates both positive changes in the coverage of the microfinance institutions in the nation (estimated branch count as of 31 December 2022: around 1264 branches, up from 1007 as of 31 December 2021).

As an example, Moneymart Finance, which started its operations in 2014 and currently has 27 branches and counting spread in the country with dedicated reach in those areas that are poverty-stricken including Manicaland province in Zimbabwe. However, despite the massive investments in the microfinance sector, recent poverty statistics published in the Poverty Atlas (2015) indicate that poverty is still prevalent in Manicaland province with Chipinge being one of the districts with higher poverty rates in the province. This hence raises questions on whether the microfinance program adopted in the country has had any impact on household welfare of the intended beneficiaries.

1.3 Statement of the Problem

A sizable portion of the population in Chipinge, a district in the Manicaland province, lives in poverty and depends on donor aid and farming as their primary sources of income according to USAID (2020) in a study conducted on the Zimbabwe Market Study of Manicaland Province showing much reliability of the area on farming as the main source of income. Chipinge comprises both rural and urban areas. Manicaland was listed as one of the six provinces in the country with the highest prevalence rates of poverty in the Poverty Atlas study from 2015, and Chipinge was included as one of the districts in the province with the highest prevalence of poverty, giving the distinct impression that poverty is rampant in this area.

Current empirical research on the impact of microfinance on household welfare is somewhat contradictory, with some researchers arguing that microfinance and household welfare are positively correlated while others hold the opinion that microfinance is ineffective as a means of eradicating poverty. The efficiency of microfinance in enhancing the welfare of households in Zimbabwe is also the subject of a scarcity of empirical study, which is more prominent in the context of rural provinces like Manicaland.

On the one hand, the available literature's ambiguity and scarcity underscore the necessity for a thorough investigation into the efficiency of microfinance in raising household welfare in Chipinge. On the other hand, research is required to look at microfinance as a development policy intervention tool for eradicating poverty and enhancing welfare for Chipinge households given the current state of poverty in the community, which is supported by Poverty Atlas (2015) statistics.

1.4 Research Objectives

The objectives of the study are:

1.4.1 To determine the roles of Microfinance Institutions in Zimbabwe.

1.4.2 To examine the impact of microfinance access on household welfare in Chipinge district.

1.4.3 To identify challenges faced by MFIs to provide microfinance in Chipinge effectively.

1.4.4 To explore how microfinance can be used to fight poverty in Chipinge, Zimbabwe.

1.5 Research Questions

The research questions of the study are:

1.5.1 What are the roles of microfinance institutions in Zimbabwe?

1.5.2 Does microfinance impact household welfare in Chipinge District?

1.5.3 What are the factors affecting the effectiveness of microfinance provision in Chipinge?

1.5.4 How can microfinance be used to improve household welfare in Chipinge?

1.6 Significance of the Study

Most of Zimbabwe's Millennium Development Goals were not achieved, especially the one pertaining to poverty in 2014 and the SDG 1 target of ending poverty by 2030 is in jeopardy due to increasing poverty levels in the country. Additionally, poverty has become a more widespread issue, distressing the entire country. Poverty is not simply a serious national policy issue but is much more so in provinces like Manicaland where its persistence has been demonstrated. This study article aims to offer useful information that can help improve the design of microfinance programmes, which are urgently needed by policymakers at all levels of government and development professionals.

The results of this study are also predicted to be helpful for future research aiming to identify what modifications in the application of policies are required to produce competitive microfinance institutions within the province of Manicaland and Zimbabwe as a whole. Finally, the study will provide important information about obstacles to microfinance efficacy for important industry stakeholders. Considering this, the study will add to the body of knowledge needed to close the knowledge gap in evaluating the effects of microfinance on households in the province and beyond, the microfinance sector, and provincial policymakers.

1.7 Assumptions of the Study

The researcher assumes that the sample that will be used in this study will represent the core stakeholders of the study that is microfinance beneficiaries and the microfinance institutions. This study assumes that the marginalized community and the Microfinance institutions that will be used in the survey will represent a reflection of what is going on in each sector. The researcher also assumes that the information provided will be free from bias, thus the sample will provide the true reflection of the sector. The researcher also assumes that information access will be easier and there will be fewer barriers to information access.

1.8 Delimitations of the Study

This study will be limited to Chipinge district which will be easily accessible for survey administration. This will minimise the costs of visits to the study area during field trips to the respondents. The research is also limited to a total of fifty household respondents and ten microfinance practitioners as a time, cost, and quality measure. Furthermore, the complexities presented by the fact that there is no single and simple way in which to measure household welfare will limit research investigation to individuals and households' microfinance impact assessment. Therefore, this research paper will exclude community-wide impact assessment as it is deemed intricate, the exclusion which is considered a limitation of the study. Despite these cited limitations, due diligence and precaution will be ensured to invalidate their effects on the overall quality of study findings.

1.9 Limitations of the Study

This encompasses conceptual and methodological shortcomings that were identified by the researcher as those that cannot be overcome due to limited time and resources. For this research, the limitations include time constraints and the unwillingness of respondents to complete the questionnaire. However, the researcher will make use of the questionnaire to give the participants time to ensure data validity and reliability. The delays that will be faced in getting the questionnaire back and a high level of confidentiality in sharing data from the microfinance and participants will also be a challenge to the study. On the other hand, some respondents may not be able to complete the whole questionnaire due to a lack of understanding of the subject matter and some may think it will be a waste of their time, therefore the researcher must find ways to persuade respondents to complete the questionnaires and to translate to some of the participants in their vernacular language to understand the questions in depth. Some participants may refuse to complete the questionnaires; however, the researcher will have to find the respondents who are willing to fill in the questionnaire which is also time-consuming.

1.10 Definition of terms

Microfinance, according to Oreto (1999), is the provision of financial services to low-income and extremely low-income people. Microfinance is described by Schreiner and Colombet (2001) as "the attempt to improve access to small deposits and small loans for poor households neglected by banks". United Nations (2005) describes microfinance as as loans, savings, insurance, transfer services, microcredit loans, and other financial products aimed at consumers with low incomes. Microfinance in other terms is the provision of small loans for low-income and poor people to be able to start microbusiness and alleviate poverty and marginality. It focuses more on economic Microfinance security and income protection which drives accessibility to savings, insurance, and emergency assistance while microcredit aims at economic promotion. The concept of microfinance is also viewed by Thorsten (2015) as a means of offering monetary services to people and small enterprises who are not qualified for traditional commercial banking services.

Household welfare: According to Schrieder and Sharma (1999), welfare is merely the state of someone's well-being. Health, education, living standards, and economic activity are the four non-monetary aspects that are used in Zimbabwe to measure and categorise household well-being or poverty. There are significant indicators that come under each of these four categories that are used to quantify household well-being, including child mortality, years of schooling, access to essential services, type of housing and assets, and economic activity.

1.11 Organisation of the study

The research paper will be structured as follows under distinctive divisions:

Chapter 1: An introduction to the research proposal topic, rationale of the study, research questions and objectives.

Chapter 2: A literature review on the topic which will be in theoretical and empirical literature review.

Chapter 3: the methodology used in conducting the research highlighting the research design sources and type of data, population and sampling, data collection, questionnaire design, data analysis as well as definition and measurement of variables.

Chapter 4: Discussions of empirical findings.

Chapter 5: Conclusion and recommendations to policymakers, microfinance institutions, development finance institutions, and future research papers.

1.12 Chapter Summary

This chapter mainly focused on the introduction to the topic highlighting the key concepts which are the background of the study, problem statements and all the research questions. The following chapter two (2) will focus on the literature on microfinance and household welfare, and it will touch on two main aspects which are empirical as well as theoretical.

CHAPTER II: LITERATURE REVIEW

2.1 Introduction

This Chapter will discuss the concepts of microfinance, various approaches to microfinance and as well as discussing the theoretical and empirical literature on microfinance and the welfare of users of microfinance products which relate to the research objectives of the study. The literature is from various developing countries across the world. The divergent views of some researchers questioning whether there are benefits that accrued from microfinance from the beneficiaries of microfinance services have also been discussed.

2.2 Evolution of microfinance

The origination of microfinance dates back as far as the 1970s. It was developed in the 1980s and took off in the 1990s. Evolving around the 1970's, various institutions in the world began developing and implementing microfinance programmes though the programmes differed depending on the location the underlying principles were similar and sought to provide financial services to the poor (Robinson, 2001). The early models of microfinance were premised on the poverty-lending approach and influenced by the vision of a social pioneer Mohamed Yunus who conceptualised the Grameen Bank to reduce the levels of poverty and inhuman living conditions. The central point was coined on making the poor bankable, by amongst others, keeping interest rates as low as possible and relying on subsidies to grant the poor maximum financial space for reinvestments. Some of the successful outcomes of the Grameen model led to the adoption of microfinance as a common policy tool for poverty eradication around the world, particularly in many developing countries as postulated by Gibbons and Meehan (2002).

However, the poverty lending approach that formed the basis of the Grameen Bank required huge amounts of continuous subsidies, proving to be an unsustainable model globally. This then necessitated a transition from the poverty lending model to the commercial or financial microfinance programs to encourage financial sustainability in the concerned microfinance organisations. As such, in the late 1980s and 1990 microfinance models evolved towards a financial systems approach, whose emphasis was on the self-sufficiency of microfinance institutions. Despite the stark contrast of the two models, they both continue to share the common goal of providing financial services to the poor throughout the world. There is therefore a consensus on what microfinance offers and its target populace.

Today, microfinance is globally recognised as a poverty eradication measure, an economic empowerment and development tool with governments worldwide promoting financial inclusion by funding or the provision of a conducive environment. Further, global pro-development organisations such as the United Nations, the World Bank, the International Monetary Fund, and others have also supported and encouraged the use of microfinance as a tool to reduce poverty and promote development (Wamaitha, 2013). Elevation and universal acceptance of microfinance are also evident in how the programme has now become central to meeting the Sustainable Development Goals.

The issue of market failures of the financial markets to include the poor in their financial services on the grounds of transaction costs and imperfect information leading to market failures is attributed to the emergence of microfinance as postulated by Brihaye et al (2019) and buttressed by Nogueira (2020). The approaches to microfinance have been a major debate since the 1990s between the two leading models the financial systems approach as well as the poverty lending approach. The poverty lending approach is premised on reducing poverty levels through the provision of credit and other services by microfinance institutions that are funded by donor and government subsidies and other concessional funds (Robinson, 2001). The primary goal of the poverty-lending approach is thus reaching the poor, especially the poorest of the poor with credit. The poverty lending approach is based on three assumptions which are discussed below:

- Firstly, the approach assumes that the poor are not creditworthy, and thus cannot afford or are unable to repay credit at commercial rates.
- Secondly, the poor cannot afford to save, and those who do save prefer non-financial platforms as there is mistrust of banks and formal financial institutions.
- Thirdly, it assumes that the poor need technical assistance, albeit credit would be of little productive use when not complemented with financial or business training that teaches the recipient how to maximise the use of the loan. Institutions using this approach thus provide micro-credit to poor borrowers at low cost. However, these institutions are typically not sustainable because interest rates on loans are too low for full-cost recovery (Robinson, 2001).

The financial systems approach on the other hand is premised on the opposite assumptions as below; firstly, there is an extensive demand for microcredit existing at rates commercial providers need to charge to fully recover costs. Secondly, massive demand for institutional voluntary savings exists amongst the poor, as they already save in one form or the other and thirdly, demand for microfinance can only be met by sustainable institutions. This hence indicates the appetite for the financial systems approach to focus on the commercial financial intermediation amongst poor borrowers and savers, with much emphasis on institutional self-sufficiency. This is the main difference from the poverty lending approach.

The flip side of this approach in fronting institutional self-sufficiency renders it inappropriate for the extremely poor but instead caters for the economically active poor. Hence if one takes into cognisant the objectives of microfinance as a programme for the poorest of the poor the poverty-lending approach takes the cup as a suitable model because considering the self-sufficiency of microfinance institutions to financial systems approach dilutes the main intentions of microfinance as a poverty eradication policy tool for the poorest of the poor and hence crowds out the poor from accessing the microfinance programmes.

2.3 Theoretical review

In general, it is debatable if having access to financial services can help reduce poverty by giving poor people access to credit and other financial services, which in turn helps those people raise their income by investing in successful enterprises (Abdin, 2016). Most developing nations experience poverty, which is seen to be the root cause of all socioeconomic problems. Therefore, it is crucial for the rural poor to have access to financial services to reduce this poverty. According to research already conducted, there are two ways that financial services access can affect poverty: It operates directly by granting individuals who do not have the same rights or living conditions as the rest of the population in the community greater access to finance, and works indirectly via economic growth, (Abdin, 2016).

2.3.1 Direct impacts of access to financial services on poverty reduction

Increased access to financial services can help the poor have easier access to loans and other financial goods by helping them expand their small businesses into larger ones or invest in new small and medium-sized businesses. However, asymmetric information and excessive transaction costs linked to small loan borrowing amounts are among the market failures that impoverished countries have in the banking sector as postulated by Kumari (2020). One of the main causes of poverty is market failure, and poor people's access to formal financial services is hampered by financial market failures.

Additionally, the inability of the poor to access financial services and inefficient financial systems restrict their ability to obtain loans since they lack the necessary collateral and credit histories. By closing the knowledge gap that prevents the poor from obtaining external financing, access to financial services can increase the effectiveness of capital allocation and play a significant role in alleviating poverty. Additionally, gaining access to financial services gives the poor good opportunities to save money as well as opportunities to obtain credit. Keynes (1937) demand for money theory argues that access to financial services is useful to the poor even if they are not able to acquire some credit because they offer savings opportunities that are profitable. Improving access to financial services in rural areas helps to build capital by increasing scattered savings and allows the poor to borrow money from this accumulated savings to start up their businesses, which will eventually reduce poverty in the long term by generating employment and high returns, (Abdin, 2016).

2.3.2 Impact of access to financial services on poverty through economic growth

By fostering economic growth, access to finance can indirectly reduce poverty and raise the income of the poor (Abdin, 2016). Different opinions exist, nevertheless, on how improving access to financial services might lessen poverty in emerging nations. According to Solow's (1956) economic growth hypothesis, access to financial services has little to no bearing on economic growth. Access to financial services, according to another theorist (Wijnbergen, 1982), has no effect on economic growth and, in certain cases, has a detrimental effect. This is just because developing countries are prevented from making investments in the formal market by the migration of cash to formal financial institutions and for formal criteria. Access to financial services, according to those who believe a healthy financial system has a good role in fostering economic growth, has an indirect effect on economic growth in real life because markets do not always perform as expected. The endogenous growth theories, however, acknowledge that access to financial services has a positive impact on economic growth through savings accumulation (Romer, 1986).

2.4 Approaches to microfinance institutions

Microfinance targets the economically poor people since they mostly lack assets to use as collateral as viewed by Machingambi (2020) as this is the biggest barrier that the poor confront when dealing with traditional banks. Khan et al., (2019) suggest that the fundamental reason microfinance targets low-income clients and the self-employed is a general lack of access to traditional banking and related services, which is not necessarily unrelated to a lack of collateral. The premise supporting models, approaches, paradigms, or theories of microfinance organisations is that the primary challenge the poor confront is lack of access to credit and capital, hence giving them access to small sums of loans enables the poor to escape poverty and achieve economic independence and invest in businesses. Three key approaches at the centre of microfinance institutions are institutionalists, welfarists and poverty alleviation theory, though there is a new approach called the finance-integrated approach.

2.4.1 Institutionalist approach

The Grameen Bank model, created in Bangladesh by Professor Mohammed Yunus in the 1980s and dependent on government subsidies, is being replaced by modern microfinance models that are based on sustainability. The model for sustainable microfinance institutions has since been adopted by numerous developing nations. As a result, since the mid-1990s, the models of microfinance pushed by most donor agencies and the Best Practice recommendations published by USAID, World Bank, UNDP, and CGAP are supported by the institutionalists' concept of sustainability and self-sufficiency.

Matomela (2016) refers to the institutionalist approach as a "financial system" and asserts that in the future, microfinance will be dominated by numerous large-scale, profit-seeking financial institutions because the institutionalist approach emphasises financial self-sufficiency and non-subsidisation of the financial institutions that serve these clients who were underserved or not served at all. The institutionalist approach to microfinance institutions is essentially a component of the emergent financial systems strategy that benefits the so-called economically engaged poor.

2.4.2 Welfarist approach

The welfarist perspective contends that microfinance organisations should instead concentrate on outreach and poverty alleviation, both of which are the primary goals of microfinance programs in any case, in sharp contrast to the institutionalists' viewpoint. According to welfare experts, reaching the poorest of the poor would be sacrificed to achieve sustainability. As a result, welfarists are less interested in banking and more interested in using financial services to reduce poverty. Therefore, it stands to reason that this method of microfinance falls within the poverty lending approach since it explicitly supports the enhancement of the well-being of its members. Welfarists' goal is for the underprivileged, especially women, to work for themselves. One of the welfarist assumptions is that increases in income will empower women and improve the conditions of life for them and their children.

2.4.3 Poverty alleviation approach

In addition to the two well-known approaches, the institutionalist approach and the welfare approach, poverty alleviation theory is a third emerging approach to microfinance. According to Woller et al. (1999), the strategy emphasises the importance of using microfinance as a tool for reducing poverty. Its ultimate objective is to minimise poverty by addressing the capital needs of the poor, which should result in their empowerment. The welfarist method is more prevalent in poverty alleviation theory than the institutionalist approach because it is more focused on the sustainability and livelihood of the individual and the household. The distinction is that it encompasses creating sustainable communities in addition to sustainable livelihoods. This strategy, which Machingambi (2020) supports, acknowledges the social goal of microfinance, and encourages keeping the interest rates low and below market-clearing levels.

One must both expand the options and capacities of the poor while lowering their susceptibility to reducing poverty. As a result, the emphasis of poverty alleviation theory is on lowering household vulnerability, supporting community development, and building sustainable household livelihoods. According to Kamau (2012), microfinance is a component of many voluntary organizations' integrated community development projects, which are backed by the notion of poverty reduction. This is a significant divergence from the welfare approach. This is why strategies for microfinance institutions are believed to greatly profit from the premise of poverty reduction.

2.4.4 Financial Integrated Approach

Various literature on the differing approaches to microfinance lending to the poor segment of the economy and poverty alleviation find successes and failures in both institutionalist approach and welfarist approaches to microfinance. Krishnamurthy et al (2014) view that the institutionalist approach has been useful approach in helping poor people establish micro businesses, but it failed to assist them in activities expansion due to usurious lending rates and ceilings on the amounts they can access. Due to the shortfalls associated with each approach, some researchers discovered that an integrated approach is necessary to overcome the deficiencies associated with both approaches if implemented singlehandedly. Orbuch (2011) emphasises the vitality of having an approach that strikes the balance between financial sustainability and social impact.

2.5 Microfinance concepts and definitions

2.5.1 Poverty

A major issue in the world is poverty, which is defined as a "pronounced deprivation in well-being" by Boonperm et al., (2009)) and supported by El-Nasharty (2022). More than 1.29 billion people, or almost 22% of the total population of emerging countries, live on less than $1.25 per day, according to the World Bank (El-Nasharty, 2022). One billion people were in abject need by the end of 2015, even though the poverty rate fell by more than half between 1990 and 2010 (Beegle & Christiaensen, 2019). From 10.1 per cent in 2015, the rate of extreme poverty over the world decreased to 9.2 per cent in 2017. In 2017, "almost 700 million people lived below the World Bank's $1.90 daily poverty line, and at higher poverty lines, 24.1% of the world's population lived on less than $3.20 a day and 43.6 per cent on less than $5.5 a day" (Munoz Boudet, Bhatt, Azcona, Yoo, & Beegle, 2021).

The World Bank (1990) defines poverty as the inability to attain a minimum standard of living; while the United Nations Development Programme (1998) defines it as a lack of ability to participate in national life, most especially the economic sphere. However, one can classify both definitions as vague, precisely because they do not assign an explicit quota, level, or extent at which these inabilities are to be classified as poverty. Klugman (2002) stated that "there should be some sort of minimum that is universally accepted in societies as the reflection of individuals in poverty. A minimum standard poverty line would be useful in defining universal consensus on what barely able to survive entails and more importantly would be explicit on what and how microfinance as a poverty reduction tool would conquer such a struggle or bleak survival.

In the absence of a single definition suitable to measure all facets and dimensions of poverty, different developing countries use different quotas and metrics to define poverty. The Zimbabwean government uses both monetary and non-monetary metrics to define poverty. In monetary metrics, three lines are used to define poverty which are extreme poverty, the lower middle income class poverty line and the upper middle income class poverty line as supported by the World Bank. The statistics of Zimbabwe for 2019 reported the metrics with the upper bound poverty line, lower bound poverty line and food poverty line at $5.50, $3.20, and $1.90 respectively.

In the multidimensional poverty measure, major indicators which are used to measure poverty include health, economic activity, education, drinking water and access to electricity which falls under the accessibility to the basic infrastructure. In relation to health, the key indicator is child mortality, while in education it is years of schooling. Living standards are determined by access to basic services (water, sanitation, electricity and refuse removal), dwelling type and assets. The most crucial indicator for determining economic activity is employment or lack thereof. The non-monetary elements used to measure poverty resonate well with how Hemmer (2000) defines poverty; as a lack of sufficient assets and income to satisfy basic human needs for food, water, shelter, and clothing. What is glaring in this definition is the element of deprivation, vulnerability, and inability for one to change their poverty-stricken plight; befitting reasons why governments in developing countries deemed it necessary to intervene by adopting microfinance as a tool to eradicate poverty amongst the poor.

2.5.2 Microfinance

Aziz et al., (2021) postulate that microfinancing is acknowledged as an activity in which the objective is to permit poor and near-poor households to have continued access to a suitable range of high-quality financial services, such as credits, savings, fund transfers and insurance. The concept of microfinance is viewed as a means of offering monetary services to people and small enterprises who are not qualified for traditional commercial banking services. While attempting to describe microfinance in the context of Africa, it is vital to recognise that this term is in no way unique from these other concepts. Like this, the UN/OSCAL's (United Nations Office of the Special Coordinator for Africa and the Least Development Countries) suggested guiding principles are universal and can be used outside of Africa to create successful microfinance schemes. Operational efficacy, for example, is not an outlier for Africa because it has been widely embraced in the new microfinance age. Thus, it can be inferred that there has always been agreement among countries and regions regarding the key target populations and goods or services for microfinance.

There are two fundamental qualities that appear in all definitions of microfinance, no matter how narrowly or widely they are defined or how they are placed in developed or African contexts. Most of these definitions agree on what microfinance comprises, which is that microfinance organisations provide lending, deposits, and microinsurance. This research study aims to emphasise the size of services as a key factor in this respect, and as a result, it would define microfinance as tiny transactions such as loans, savings, or insurance provided by microfinance firms. The target or focus group, or so-called "poorest" economic agents with limited access to conventional banking services, is the second shared attribute of microfinance that these definitions agree upon. Furthermore, market-level, or affordable interest rates (as opposed to informal loan providers) and straightforward application procedures (as opposed to commercial banks) are considered additional features that are essential in defining microfinance. Once more in this vein, this research will highlight the effects of microfinance in the study region of Chipinge district on persons who are considered poor in the context of Zimbabwe.

2.5.3 Microfinance institutions and roles

In the Zimbabwean context, there are multiple microfinance providers, and they fall under various groups namely primary deposit-taking microfinance (DTMFIs) and credit-only microfinance institutions with 179 credit-only microfinance institutions and 8 deposit-taking microfinance institutions as of 31 March 2022 report by the Reserve Bank of Zimbabwe (RBZ,2022). However, we also have established commercial banks providing microfinance facilities for example Red Sphere Microfinance under the CBZ Bank. This research paper takes a deliberate exclusion of informal institutions that are engaged in informal money lending and collection in its definition of microfinance institutions due to unethical practices of such institutions which often goes against the good intentions behind the introduction of microfinance institutions and their services in the country. In addition, the context of this research is premised on the three main offerings provided by financial institutions that will be investigated including loans, savings and insurance products and services that seek to meet the needs of poor people.

2.5.4 Roles of MFIs

- **Savings**

Todd (1996) explains that the MFIs give the custodian of the savings to members of the groups. In developing countries, many of the members are women groups. They then take small loans by guaranteeing each other so that they can finance their micro and small businesses in their communities. Most of these businesses are categorised in the informal sectors of the economy. Because MFIs are widely distributed in their communities, it becomes very easy for these groups and individuals to accumulate petty cash into large savings for future development projects.

- **Credit**

Daley-Harris (2007) describes Microfinance institutions as institutions which offer loans to low-income earners such as entrepreneurs, grocery trading, SMEs, farmers green grocers, and car garage operators. Some of these institutions initially offer financial training to clients about investment opportunities, and the proper uses of credits before they give out the loans. Usually, these loans are for working capital and help in the expansion of the businesses. These credit facilities lead to improvement in terms of education, health, empowerment, and environmental conservation in the community. Most MFIs in Zimbabwe are credit-only microfinance.

- **Insurance**

Kumar et al., (2015) describe MFIs as providers of insurance services to small-scale farmers for their outputs and production of crops and livestock apart from the traditional role of credit provision. This insurance helps to mitigate farmers against vagaries of nature which include poor rains due to climate changes which may cause crops to wilt and their animals to perish because of famine. Therefore, this insurance coverage to small-income earners helps reduce the impact of unforeseen external shocks and encourages investment.

- **Money Transfer**

Daley-Harris (2007) explains that Microfinance institutions have assisted in money transfer in developing countries to reach the poor communities in developing countries. To date, various programmes that ensure that people can send and receive money via the telephone through these institutions in the rural communities. These include, transfer of money, the payment of water bills, electricity bills or even payment for purchased goods. M-Kesho in Kenya has proved to be the best remittance services in the country provided by Equity Bank, Ravi Kumar, Karthika, Karthikeyan (2015). This bank helps small business and micro-business owners will be able to deposit their small daily earnings to the MFI through their mobile phones.

2.5.5 Challenges faced by Microfinance Institutions

Nwanyawu (2011) cited the following as main challenges that are encountered by microfinance institutions:

Insufficient funding: One of the critical problems facing microfinance institutions in Zimbabwe is the lack of finance needed to expand financial services to clients. This primarily arises from the low capital base of the institution, inordinate fixed asset acquisition, ostentatious operational disposition, inability to mobilise deposits, poor lending and questionable governance and management arrangement.

Inconsistent Government Policies: this instability has impacted negatively on the performance of primary institutions responsible for policy monitoring and implementation. There were cases of sudden reversal of policy which has resulted in failure to complete some projects. This creates distortions in the macroeconomic structure and low productivity as with the case of Zimbabwe which adopts the contractionary monetary policy stance in some cases.

High Risk and Mounting Loan Losses: Some people see the loans as their own share of the national cake and do not see any need for repayment." The consequence of this is that it leads to other applicants not getting loans in the case of those microfinances that are owned by the government for example Empower Bank and Zimbabwe Women Microfinance Bank.

Diversion of Microfinance Funds: There have been several cases of corrupt public officials, diverting credit meant for small-scale farmers. It could be seen that because of the high level of poverty in the country, loans are diverted to solving the problem of feeding. Thus, microfinance is supposed to meet the needs of the poor to raise their financial sustainability, which in this case is not so.

Low Capacity and Low Technical Skills in Microfinancing: Management of microfinance institutions would require a pedigree of knowledge on microfinancing to successfully operate in the industry; however, most staff recruited in the microfinance institutions, particularly at the management level, have little or no experience in microfinance practice.

Other challenges can be summarised as high-risk perceptions of small entrepreneurship and micro businesses; high costs involved in small transactions or micro-lending; lack of debt and equity funds for MFIs for on-lending to the poor; difficulties in measuring the social performance of MFIs; lack of customized solutions for the poor; poor system of distribution of microfinance institutions and lack of information about microfinance investment opportunities; the dual mission of microfinance institutions to be financially sustainable as well as development-oriented.

2.6 Household welfare

According to Schrieder and Sharma (1999), welfare is merely the state of someone's well-being. Health, education, living standards, and economic activity are the four non-monetary aspects that are used in Zimbabwe to measure and categorise household well-being or poverty. There are significant indicators that come under each of these four categories that are used to quantify household well-being, including child mortality, years of schooling, access to essential services, type of housing and assets, and economic activity. In essence, the introduction of microfinance as a method for reducing poverty in Zimbabwe was intended to enhance any of these aspects.

Although there are many ways that microfinance affects the well-being of its intended recipients, measuring this impact is a contentious issue. Morduch (1995) proposed that statistics on income levels, assets, and institutional performance be included in a quantitative model to analyse the influence of financial services on poverty levels. World Bank (2003) also provided evidence that it is feasible to gauge an individual's level of welfare by looking at things like their income and possessions. However, the World Bank (2003) also claimed that gauging a person's relative well-being without considering the circumstances of their entire home only gives a misleading picture of their poverty. This is so because a person's household has an impact on their wealth and shares it with them.

In support of this claim, the World Bank (2003) provided a more reliable tool for measuring household welfare in poverty. Three attributes pertaining to assets, housing, and food are included in this comprehensive approach to assessing poverty. Regarding the food-related attribute, household eating habits, regularity, and frequency of food intake (including days without meals), consumption of food varieties, and volume of food purchases are all significant markers of well-being or vulnerability. The size of the home, the longevity of the building materials, the availability of basic services nearby, and ownership status are some indicators used to assess a household's housing-related characteristics. The accumulation of assets is measured by asset-related indicators, which are mostly impacted by household income levels. The premise is that poorer households only have enough for basic needs and little extra for durable assets.

Even if it is acknowledged that there is no one approach to assess the effectiveness of microfinance, it is obvious that indicators must include both monetary and non-monetary components pertinent to the socioeconomic surroundings of individuals and households after taking part in microfinance. In other words, to determine if the goals of microfinance as a tool for poverty reduction or intervention have been achieved, a more thorough assessment of impact must consider both objective and subjective socioeconomic factors. To analyse the success of microfinance in this study, we will use the World Bank's poverty evaluation instrument, which includes the three aspects of food, housing, and assets in Chipinge district.

It's crucial to note that this list of characteristics is by no means exhaustive especially when it comes to the non-financial aspects of gauging household welfare in Zimbabwe. They more closely resemble markers found in the living standards dimension. This is why other factors, such as a microfinance recipient's economic activity and educational background, among others, will also be considered while evaluating the impact of microfinance in the research area. Hulme (2000) suggested that although analysis of outcomes at an individual, household, enterprise, or community level should be the sole focus of microfinance beneficiary impact assessment, it must be noted that this research will not include community-wide impact assessment because it is deemed intricate and will instead restrict microfinance impact analysis.

2.7 Empirical Literature Review

Despite the widespread acceptance of microfinance as a method for eradicating poverty, there is conflicting evidence in the empirical literature regarding its impact on household well-being. While some scholars contend that microfinance and household well-being are positively associated, others contend that they are ineffectively or negatively related. Empirical research showing beneficial microfinance effects provides proof of the income effects of microfinance access, with studies corroborated by Littlefield, Morduch and Hashemi (2003), and CGAP (2003) among others. They all share the view that being able to borrow a small sum of money helps bridge the cash-flow gap, which is a first step in ending the cycle of poverty.

Furthermore, several research has shown that microfinance enables low-income households to secure and diversify their revenue sources in addition to simply increasing income. Otero (1999), Littlefield et al. (2003), Morduch et al., (2005) and Bateman (2010), among others, provided empirical proof that microfinance is a liquidity tool that lowers income vulnerability and helps generate additional household income, both of which raise the standard of living of these households or microfinance recipients.

Since then, a sizable body of research on microfinance from a variety of disciplines has emerged, building on the empirical literature on the beneficial effects of microfinance on households' income. These studies include Van Rooyen et al. (2012), Akula et al., (2022), Miled et al., (2022) Chibbonta et al., (2023) whose findings all point out that access to microfinance has positive impact on household income useful in poverty reduction and household well-being at different levels, including asset acquisition, household nutrition, health, food security, children education, women empowerment, and social cohesion.

Aziz et al., (2020), provided empirical evidence of microfinance's impact on poverty reduction from the Malaysian perspective and found Malaysian microfinance institutions (AIM) to have had positive effects on household income women borrowers who spent three years in microfinance schemes, compared to borrowers who had not benefited or received microfinance treatment, echoed the findings of Abdullah's studies, and confirmed their empirical validity. Thibbotuwawa et al. (2012) conducted a study on the impact of microfinance on household welfare, focusing on the Samurdhi microfinance program in Sri Lanka and found that Samurdhi had a significant impact on household welfare.

The most recent impact studies aimed at establishing a link between microfinance and household well-being in diverse African and Asian settings have since confirmed the findings on the positive effects of microfinance. Al-Mamun et al. (2012) conducted research to evaluate the effects of a Malaysian microcredit program on the standard of living for severely underprivileged households on the Peninsula. Using the quality-of-life index made up of eleven characteristics, the primary goal of this study was to determine whether participation in this microcredit program increased quality of life. The results of the study showed that having access to microfinance increased the quality of life for impoverished rural households in Malaysia, as participant respondents were able to live in homes that were bigger and better, made of permanent materials, utilized ecologically safe cooking fuel, and had access to hygienic restrooms.

In Bangladesh, Rahman et al. (2017) conducted an impact evaluation to determine the effects of microfinance loan availability on economic outcomes at the household and village levels. The results revealed that household income and land asset ownership were positively impacted. This Bangladesh study's key finding was that microloans, particularly those provided by Grameen Bank, have a positive and statistically significant impact on household income, enabling borrowers to launch businesses, accumulate assets, and overcome credit limits. The study also discovered that when microfinance is combined with programs that improve competence, such as basic literacy and skill training, the beneficial impact results might be more significant and obvious.

Santoso et al., (2020) also carried out research on the impact of microfinance on households welfare in Indonesia and found that the purpose of the loan, monthly income, monthly expenditure, interest rates, loan amount, education and marital status have significant effects on the probability of increasing borrowers' welfare after accessing microcredit which also buttresses the findings of other scholars on the importance of microfinance on contributing to a positive increase in the welfare of households.

Ghalib et al., (2015) also examined whether household access to microfinance reduces poverty in Pakistan by collecting primary empirical data from both borrower and non-borrower households. The study found microfinance programmes to have a positive impact on the participating households. Poverty-reducing effects were observed on several indicators in this Pakistan study, including expenditure on healthcare, clothing, and household income, and on certain dwelling characteristics, such as water supply and the quality of roofing and walls.

In Sub-Saharan Africa, including Ethiopia, Ghana, Kenya, Madagascar, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zimbabwe, Van Rooyen et al. (2014) conducted a systematic review of the evidence regarding the effects of microcredit and micro-savings implications to the poor on income, savings, spending, asset accumulation, and non-financial outcomes like health, nutrition, and food security as well as implications on education, housing, job creation, and social cohesion were taken into account in this systematic review study. Results showed that microfinance (loan and savings), albeit they differed from nation to country, had a beneficial influence on income, with clients' incomes being greater than those of non-clients.

Salia (2014) examined empirical data from female borrowers and non-borrowers in Tanzania to ascertain the impact of microcredit on household welfare and discovered that borrowers' households were more likely to own the homes they resided in than non-borrowers, and that microcredit improved the welfare of women borrowers by enabling them to have tangible non-current assets. The proposition that microcredit has a positive impact on home ownership has also been buttressed by several empirical studies, including Lacalle et al.'s (2008) discovery that microcredit receivers in Rwanda improved their homes more than non-recipients and Nanor (2008) discovered that households of microfinance clients in Ghana spent more money on non-food items than non-client households.

Adjei et al., (2009) examined it from the standpoint of women-owned businesses in Ghana and discovered a strong correlation between microcredit program participation and possession of refrigerators and sewing machines and this was supported by Ussif (2020). Similarly, Matomela (2016) investigated the effects of microloans from a nonprofit organization on women from the

Eastern Cape's Amathole and Amahlathi Local Municipalities. His research showed a link between microfinance access and non-financial impacts that reduce poverty in people. This is because the loans the women received assisted them in successfully carrying out their parental responsibilities in terms of food security and nutrition, children's education, improved housing, and other self-actualisation benefits resulting from developing self-confidence and participating in the community.

Christensson (2017) investigated the connection between access to microfinance institutions and poverty reduction, even though the study was conducted in the Nigerian context did not precisely analyse the influence of microfinance on household welfare by utilizing any specific measures. The findings of this study suggested a negative correlation between poverty levels in Nigeria and the number of microfinance organisations. On the other hand, Abera et al. (2019) conducted an impact study to evaluate the influence of microfinance on rural household poverty in Ethiopia by determining if the provision of microfinance services resulted in any changes to clients' living conditions. Based on average income and how this affected or spilled over to chosen populations, the impact of the microfinance program at the household level was evaluated on selected poverty indicators including education, access to medical facilities, nutritional status, employment generation and income. The study found that the availability of credit had positive effects on income which resulted in improved food security of clients, improved access to education and health. Clients reported that they were better off after obtaining the financial services.

Bzeouich (2019) also did a study evaluating how microfinance benefited the social welfare of beneficiary households in Tunisia, adding to the body of research evaluating the effects of microfinance on beneficiaries' social status. Results supported most of the literature on the beneficial impacts of microfinance on social welfare. In his study, he outlined the precise ways that microfinance had a favourable impact on households' food expenditure, access to healthcare, children's education, and living conditions. However, some of the existing literature contests this beneficial connection between microfinance and household welfare.

Although Ditcher and Harper's study from 2007 found that microfinance had inconclusive evidence of efficacy in reducing poverty, they did admit that the practice had non-income benefits that could positively improve participants' lives. Their main claim is that microfinance has devolved into a "development fad" that has done little more than put money in the hands of the poor while simultaneously producing very little in the way of development outcomes. According to Ditcher and Harper (2007), microfinance has also gotten more credit than it should have because it simply helps people deal with the harshness of poverty's effects rather than eradicating it.

Various research has also discovered a conflict between microfinance and the reduction of poverty. Adjei et al. (2009), Barnes, Keogh et al. (2001), Waelde (2011), and Roodman (2012) are a few of the studies that show a link between poverty and microfinance access that is harmful. These studies reach the conclusion that microfinance does not function well as a tool to escape poverty, even though they do not contest the short-term impacts of microfinance on income and consumption. In fact, contrary to those studies that found a positive impact of microfinance on reducing poverty, empirical evidence from these studies showed that microfinance had negative effects over time, with recurring clients' businesses becoming less successful and levels of health and education declining, the longer people stayed in the microfinance program.

Marr (2012), who noted the shortcomings in the design and implementation of microfinance as the primary reason microfinance effectiveness remained ambiguous in the rural environment, substantiated the inefficiency of microfinance in improving livelihoods among people living in rural communities. More importantly, Marr (2012) discovered a connection between financial restrictions in rural areas and ambiguity over microfinance effectiveness. In his article, he made the case that to increase the effectiveness of microfinance, it is crucial to lowering risks and operating costs to make rural consumers more alluring to financial intermediaries. This is done in addition to developing new impact methodology and a wider range of financial services.

Manja and Badjie (2022) examined the impacts of various forms of finance on the marginalised groups by supporting quantitative analyses from the Third Integrated Household Survey (IHS3) data with some qualitative information. Adopting the endogenous regime switching (ERS) regression approach, due to the non-randomness of access to finance, the study found some conflicting evidence suggesting access to credit generally improves the welfare of women and youth households, especially in terms of income and non-food consumption expenditure. However, with the current system of formal finance, access to finance reduces food consumption expenditure, especially for women and the youth and the estimates of treatment effects show that informal credit is welfare-degrading, especially in terms of total consumption expenditure.

Using an econometric model adapted from Coleman (1999), Okurut et al. (2014) evaluated a nationally representative sample of 503 households in Botswana on whether access to microfinance impacted the welfare, and the results suggested that microfinance had no significant effect on household welfare, which is consistent with Okurut and Bategeka (2006)'s finding that microfinance had no impact on the welfare of the poor in Uganda and Banerjee et al. (2013)'s finding that consumption was still the same in treatment areas and the average business was still no more profitable in treated areas versus no treated in India.

Some studies have started to link the analytical methods employed to the reasons why microfinance is ineffective. In this regard, Duvendack et al. (2011) discovered that inadequate methodological approaches and insufficient data contribute to incorrect impact estimations and misconceptions about the true impact of microfinance. Bateman (2012,) who shared this opinion, claimed that the growing disapproval of microfinance was due to the paucity of convincing empirical data to back up its claims of reducing poverty. To further cement the position of otherwise, Chikwira et al., (2022) studied the impact of microfinance on poverty alleviation in Zimbabwe and the results indicated that microfinancing was found to increase poverty in the long run. There is generally a lack of studies on the impact of microfinance in the Zimbabwean context, which is even more pronounced in the context of rural provinces like Manicaland.

However, by focusing on how microfinance has affected beneficiaries in the Chipinge district of the Manicaland Province, this research work particularly aims to fill this vacuum in the contradicting empirical literature that already exists. Although it is impossible to predict which side of the argument this study will support, it can only be assumed that it will support insightful conversations on how microfinance affects household well-being. It can also be anticipated that it will help usher in a new era of literature that goes beyond condemning microfinance and identifies obstacles to the practice's efficacy.

2.8 Chapter Summary

This chapter summarised the theoretical and empirical evidence on microfinance's impact on the welfare of households. It also elaborated the definitions of some of the important terminology of microfinance issues like poverty, microfinance, and household welfare which are pertinent to the research study. The chapter also exposed the research gap as explained later in this chapter. The next chapter introduces the methods used in data collection, used by the researcher in accessing information for this specific project.

CHAPTER III: RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research instruments, data collection procedures used and how data was presented and analysed. Methodology refers to the principal ways employed by the researcher to collect data from the study subjects. The sampling procedures and data analysis methods that were used in the research are discussed in this chapter. The researcher used questionnaires and interviews as instruments to collect data in this study.

3.2 Research Philosophy

The research philosophy adopted in any inquiry whether implicitly or explicitly declared contains some fundamental assumptions about the way the researcher views the world (Saunders et al., 2012). The most important thing to consider when deciding on the research philosophy to underpin a research study is to assess the suitability and relevance of the philosophy in terms of understanding the research problem and answering the research question(s) as alluded to in the preceding sections of this proposal. For this study, the pragmatic paradigm which provides the philosophical underpinnings to the mixed methods research was used as it embraces some aspects of the positivist and interpretivist paradigms. Saunders et al. (2012) posit that pragmatists take the position that no single philosophical point of view can ever give the whole picture and that there may be multiple realities.

This, however, does not mean that pragmatists always use multiple methods when carrying out research, instead, they use the method or methods that promote credible, well-founded, reliable, and relevant data to be collected that advance research (Kelemen & Rumens, 2008; Saunders et al, 2012). In this study pragmatism philosophy was used as the philosophical underpinning of the study because it is an alternative theory of knowledge or epistemology and is concerned with applications, that is, what works in real life as solutions to problems (Creswell, 2009).

3.3 Research Paradigm

3.3.1. Ontological Assumption

The ontological assumption of this study is that reality is singular and non-singular. This is from the view that there are diverse views regarding the impact of MFIs services on improving the welfare of households.

3.3.2. Epistemological Assumption

This assumption seeks to elucidate how the research intends to determine reality. Therefore, this study draws structured questionnaires and interview guides, augmented by document analysis. This suggests that the reality was constructed by the research participants through interviews, as well as empirical testing of data that were obtained from the questionnaires.

3.3.3. Methodological Assumption

This paradigm presents the research methodologies that the study followed as informed by the pragmatism research philosophy. This part presents the research approach, research strategy, and research design.

- **Research Approach**

This study was informed by mixed methods, also referred to as the abductive research approach. Proponents of mixed methods hold on to the compatibility thesis, that is, the position that quantitative and qualitative research methods and their corresponding philosophy and paradigms are complementary and hence can be used together in a single research study to address a single research problem (Christensen et al., 2011).

The proponents of mixed methods follow the philosophical theory of pragmatism which focuses on what works as the criterion of what should be viewed as tentatively true and useful in research and practice, hence its plausibility for this study (Christensen et al., 2011). The fundamental principle of mixed methods requires that multiple kinds of data be collected using different strategies and methods in ways that display complementary strengths and non-overlapping weaknesses thereby allowing a mixed methods study to provide insights not possible when only qualitative or quantitative data are collected (Harwell, 2011).

- **Research Strategy**

Considering that this study seeks to get holistic significant information on the phenomenon under study, a survey strategy was adopted. A survey research strategy allows the use of all content and thematic analysis, descriptive, and inferential statistics in the determination of reality, hence its suitability for this study.

- **Research Design**

This study settled for the concurrent research design. The justification for this is that it allowed for concurrent collection and analysis of qualitative and quantitative data. This type of mixed methods research design also allows for the results from both the qualitative and quantitative research strands to complement each other thereby enabling the researcher to get a fuller picture of the effects of MFIs on improving the welfare of households in the Chipinge area. In sum, the researcher used a concurrent research design which combines the quantitative and qualitative methods as neither the quantitative nor the qualitative research approach on its own is sufficient in answering the research questions as unambiguously as possible (Christensen et al, 2011). Given the nature of the research problem, the objective and the research questions of the study, the researcher used a concurrent research design as recommended by Creswell, (2009).

The concurrent research design was used for the complementarity purpose to elaborate, illustrate, enhance, and clarify the results from the quantitative method with findings from the qualitative method (Greene et al., 1989). The use of different methods results in strong findings as in most cases the strengths of one method offset the weaknesses of the other which allows for a much stronger overall design and hence more credible conclusions.

3.4 Population of the Study

The population for this study was made up of 93399 households in Chipinge community and the 12 MFIs in the area.

3.5 Sample Size

Onwuegbuzie and Collins (2007) posit that the choice of the sample size is as important as the choice of the sampling scheme as it affects the degree to which a researcher can make statistical and or analytic generalisations. When interviews are used as one of the data collection procedures for qualitative data, the size of the sample is determined by the data saturation point, that is, the point at which no new data is generated through the in-depth interviews. In this study, the researcher reserved questionnaires for the community and interviewed employees of MFIs. When collecting quantitative data, the size of the sample is pre-determined based on the population size. In this study, the sample size of MFI employees as determined by Guest Bunce and Johnson (2016) was 12. On the sample size for the community in Chipinge, 38 participants informed the study as guided by Krejcie and Morgan (1970). It follows, therefore, that the total sample size of the study is 50.

3.6 Sampling Method

Since the population of the study is infinite to the researcher, a non-probability sampling method was adopted (Mukoka, Chibhoyi & Machaka, 2020). Mukoka et al. (2020), posit that if the population of the study is infinite, the non-probability sampling method becomes plausible. The argument is that there is no need for every observation of the population to be given an equal chance of being selected in the sample, thus, making probability sampling methods not compatible with this study.

3.7 Sampling Techniques

Since this study was informed by a non-probability sampling method, a purposive sampling technique was adopted. Hoijer, (2008), argues that the logic and power of the purposive sampling technique lies in selecting information-rich cases for in-depth study. It was purposive on the community and employees of MFIs.

3.8 Data Collection Instruments

Primary data for the quantitative strand of the research study was collected through closed- ended questionnaire items while that for the qualitative component was collected through structured in-depth interviews. Secondary data were collected through document analysis.

3.8.1 Quantitative Data Generation Phase

Questionnaires were used to gather quantitative data. This means that creating a quality questionnaire requires first doing a thorough analysis of the relevant literature. As a result, the questionnaire's development was founded on the study's review of relevant literature. Additionally, questionnaires offer an efficient means of collecting data on a large scale, they can be sent out to a large number of people at almost the same time, respondent’s anonymity encourages the participants to release information more easily, yield data that is identical, correct and standard as similar questions are simultaneously administered to a large number of people and questionnaires are cost-effective (Zohrabi, 2013).

Nonetheless, there are drawbacks to using questionnaires as a data collection tool. According to Gillham (2000), there could be a low rate of return for some distribution methods of the questionnaire, such as email or postal services; answers could be erroneous and irrelevant due to confusing or unclear questions; and the language of the questions themselves could have an impact on the results. By giving the questionnaire in person rather than allowing self-administration, the researcher was able to guarantee a high percentage of returned completed forms. An additional benefit of this method is that it allowed the researcher to address any questions or concerns that came up during the delivery of the questionnaire.

3.8.2 Qualitative Data Generation Phase

A common method for gathering qualitative data is the interview (Zohrabi, 2013). The purpose of the purposive sample technique was to identify knowledgeable and information-rich informants, from whom the researcher hoped to obtain first-hand information. More precisely, the interview guide approach or its equivalent, the structured in-depth interview (Zohrabi, 2013), was utilised in this study since it was very adaptable and allowed a significant quantity of data to be collected from knowledgeable and experienced respondents directly. With this kind of interview, the interviewer could elicit additional information from the subject until the researcher thought that sufficient information had been provided. Response rates from interviews are often high (Zohrabi, 2013; Christensen et al., 2011).

However, there are some disadvantages associated with interviews too. These include low perceived anonymity by participants and time-consuming data analysis for open-ended items. In fact, before the structured in-depth interview instruments were used in the field, the effort was made to make them reviewed by experts in the field of MFIs to ensure that the instruments have the capacity to solicit the data they intended to get. The interview instruments were then revised, based on the comments from the experts in the field, as well as academic peers.

3.8.3 Document Analysis

Secondary data was used to support and elaborate the findings of the study. The collection of data from documents has the advantage that the data is stable since it was there before the study, but it requires the researcher to thoroughly understand the origins, purpose and original audience of the documents (Mogalakwe, 2006).

3.9 Data Analysis Procedures

Having settled for the mixed methods research right from the onset of this research proposal, underpinned by the pragmatic worldview and inductive, deductive, and abductive approaches, the question that comes up at this stage is how the quantitative and qualitative data strands would be analysed to effectively address the research problem of determining success factors in the adoption of corporate governance amongst state enterprises. Given that the researcher has given equal priority to the qualitative and quantitative components of the research study of the concurrent research design, each data strand was analysed separately using qualitative and quantitative techniques respectively. Then the results from the two separate analyses were integrated to give a more complete picture of the study.

3.9.1 Analysis Procedures for Quantitative Data

Kumar (2011) points out that in quantitative research, the main emphasis in data analysis is to decide how one is going to undertake an analysis of the data obtained in response to each question that was asked to the respondents. After the collection of quantitative data, via the questionnaire, the data was coded, captured, and cleaned before the actual analysis of data commences. The researcher will use the SPSS to analyse the quantitative data and the findings presented in the form of bar graphs, pie charts and descriptive statistics such as percentages.

3.9.2 Analysis Procedures for Qualitative Data

Miles and Huberman (1994) present a framework for analysing qualitative data comprising: data reduction, data display and conclusion drawing and verification phases. The researcher will use this framework in the analysis of the qualitative data strand.

3.10 Validity and Reliability of the Study

3.10.1 Validity Issues in Mixed Methods Research

It is, important to note that the quality and acceptability of any research work are evaluated based on the validity criterion (Zohrabi, 2013). In view of this, it became imperative to ensure that the quality of the research instruments used to collect data is of the highest standard because researchers draw conclusions based on the data collected and or generated using these instruments. For this reason, both the data and the instruments need to be validated. Zohrabi (2013) outlines procedures which seek to enhance content validity, internal validity, and external validity, and in so doing validate both the instruments and data.

Given that this study adopted the use of the closed-ended questionnaire to collect quantitative data and in-depth interviews to generate qualitative data, it was imperative that both the instruments and the data be validated. The researcher enhanced the content validity of the study by allowing both the research instruments and the data to be reviewed by experts in the corporate governance fields. Following the reviewer's comments, unclear questions were revised, and complex items reworded and by so doing enhancing the validity of the research findings.

Internal validity is another aspect that was considered carefully in this academic research. This was enhanced using the following selected methods as recommended by Merriam (1998) and Zohrabi (2013): triangulation, member checks, peer examination and dealing with researcher's bias. Collection of data from a variety of sources and using a variety of techniques can confirm research findings and this way internal validity is boosted. Since this study used the concurrent research design, where the administration of the questionnaire was done simultaneously and independently of the administration of the in-depth interviews, internal validity was enhanced.
Member checks entail the researcher taking results and interpretations back to the participants to enable them to confirm and validate them.

For instance, the results and interpretations of interviews may be handed over to the interviewees for them to confirm or disconfirm the content of what they stated during the interview encounter. This enhances the plausibility and truthfulness of the research findings. The researcher will, therefore, use the member-checking approach by taking the results and interpretations of the interviews back to the interviewees for them to confirm or disconfirm. If the results and interpretations are confirmed that contributes towards increasing the internal validity of the research findings. If not confirmed that would give an opportunity for the researcher to correct the interpretation and results of the study. Again, this would enhance the internal validity of the research study.

Peer examination was used in this study as part of the efforts to enhance the internal validity of the research findings and results. The peers should be experienced experts for them to give plausible data analysis and interpretation which has the tremendous capacity to support the internal validity of the research. Last, but not least, the researcher collected, analysed and interpreted data impartially and in a non-judgmental way as a way of improving the internal validity of the study.

In some instances, the validity of a study is tied to its usefulness in real-life situations. Judging the validity of research this way is based on what is called the utility criterion (Zohrabi, 2013).
Apart from internal validity, sound research should have external validity, which is concerned with the applicability and or generalisability of the research findings in other settings or with other subjects (Christensen et al., 2011). Given that the study adopted the mixed methods research approach, the researcher ensured that the quantitative strand of the research had a sample size large and representative enough to allow statistical generalisation.

3.10.2 Reliability Issues in Mixed Methods Research

The reliability of data and research findings is an important requirement in any research process. It is, easy to get similar results in quantitative research since data in this case were in numeric form and objective. However, getting similar results in qualitative research is not easy since data are in narrative form and subjective. Hence, in the case of qualitative research, the purpose is not to obtain similar results but to agree that based on the data generation processes the findings are consistent and dependable (Zohrabi, 2013). The dependability of the research results can be achieved by using three techniques, namely: the investigator's position, triangulation, and audit trail. For this study, all three techniques stated above will be used to secure the dependability of the research findings.

Given that the study adopted the concurrent research design, it follows that different data collection procedures were used as well as obtaining data from different sources. In this study, qualitative data were generated using structured in-depth interviews as well as through document analysis while quantitative data were collected through the closed-ended questionnaire which would have been administered at random to the research participants. The collection of data using different procedures and through different sources enhanced the reliability of the data and research results. Thus, the triangulation technique for enhancing the reliability of the research findings was fulfilled in this study. In connection with the audit trail requirement, this study met this requirement in that, the researcher described every step of the research process in detail, making it relatively easy for one to replicate the study, thereby enhancing its reliability.

A distinction must be made between internal and external reliability. In this study, the researcher ensured internal reliability by using low inference descriptors such as using direct quotes from key informants, peer examinations and recording data mechanically to enable the researcher to be able to revisit the data whenever the need arises. The researcher explicitly explained every step of the research process and the choices made in conducting the research in order to make it easy for anyone who wishes to replicate the study.

3.11 Ethical and Legal Consideration

This study observed the Great Zimbabwe University of Zimbabwe Research Style. Kurasha (2013) defined research ethics as what is right and wrong in conducting research and warned scholars against committing scholarship theft such as stealing people's intellectual work, which is a violation of intellectual property rights. Mukonza (2015) highlighted three broad areas of ethical conduct pertaining to the design and execution of research. These were the ethics of data collection and analysis, the ethics of treatment of participants and the ethics of responsibility to society. In this study, the researcher acknowledged every source of information that was consulted. The researcher was guided by the mission to create new knowledge and insights in the context of the original research design. The new knowledge was meant to assist policymakers in crafting policies that are based on empirical research.

In addition, the researcher respected and upheld the three principles of ethical social research, namely: full disclosure, informed consent and moral integrity. The researcher operationalized the full disclosure principle by explaining fully to the participants and respondents the purpose of the study and making public the researcher's identity. In fulfilling the informed consent principle, the researcher made sure that the involvement of the participants and respondents in the research was voluntary and informed. The researcher made certain that the respondents and participants understood the risks and benefits of taking part in the research and how the findings were used. The identity of the participants and respondents was protected.

The participants and respondents were told of their rights to withdraw from the study should they decide to do so. The research participants were treated with honor and dignity and not as subjects in line with the ethics of treatment of participants. The researcher was mindful of cultural, religious, gender, political and other significant differences within the research population in the planning, conduct and reporting of the research. The principle of moral integrity demands that the researcher ensures that the research process and research findings are trustworthy and valid. The researcher operationalized this principle by creating good rapport with the participants and respondents, an atmosphere which enables the participants and respondents to freely speak their minds. This enabled the researcher to get genuine and original data.

3.12 Chapter Summary

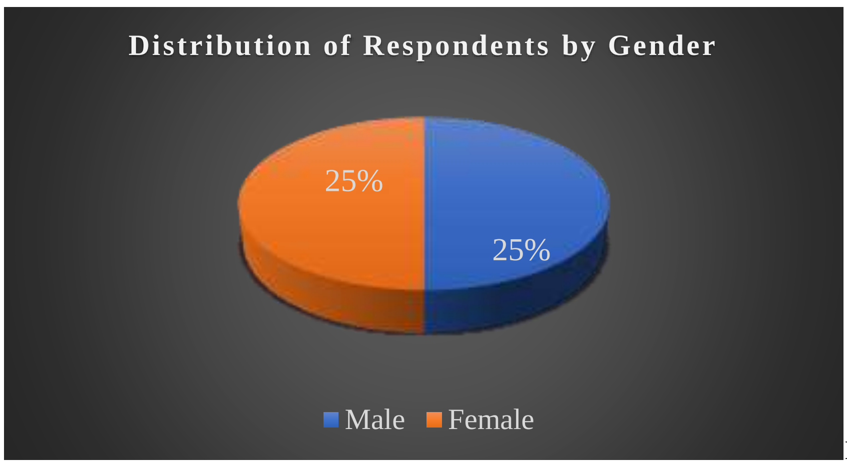
This chapter presented the methodological orientation that the study followed. The research philosophy and the paradigms were discussed. The design of concurrent in nature was also presented, and so were the instruments that the study used. Data analysis measures were presented, together with the ethical and legal considerations that the study observed. The chapter that follows presents the discussion of the findings.

CHAPTER IV: DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter focuses on data presentation, analysis, discussion, and interpretation of quantitative and qualitative research findings to address the research questions stated in Chapter I of this study. Section 4.1 covers the presentation and analysis of socio-economic and demographic data, while Section 4.2 covers the presentation, analysis, interpretation, and discussion of the research results. The chapter summary has also been presented in Section 4.3.

4.2 Presentation and Analysis of Demographic Data



N=50

Figure 4.1: Gender Distribution of Survey Respondents

(Source: 2023 Survey Results)

Before moving into the presentation and analysis of quantitative results the demographic data of the respondents is presented. Figure 4.1 shows that out of 50 respondents, the research participants were equally distributed which is 50 percent apiece for both males and females and this is considered balanced from a gender perspective.

Table 4.1 below shows that most of the respondents had attained basic education to tertiary education with forty-two per cent having post-secondary education. It can, therefore, be argued that most of the respondents were able to clearly comprehend the phenomenon under study. Twenty-two per cent of the participants had primary education, with thirty-six percent of the participants having secondary education.

Table 4.1: Level of Education Distribution of Survey Respondents

Highest qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	11	22.0	22.0	22.0
Secondary	18	36.0	36.0	58.0
Tertiary	21	42.0	42.0	100.0
Total	50	100.0	100.0	

(Source: 2023 Survey Results)

4.3 Presentation, Analysis, Interpretation and Discussion of the Research Results

The findings from various respondents from the MFI practitioners and the Chipinge community were addressed under each objective as discussed below.

(i) To determine the roles of microfinance institutions in Zimbabwe

The reason for this objective is that the researcher wanted to determine the roles of microfinance institutions in Zimbabwe. The roles are presented as said in the following responses from the research participants. The respondents gave a different account of the functions of microfinance in Zimbabwe and the responses are as summarised below:

The respondents explained that all the MFIs provide loans to the clients as a primary activity and service to the community. The loan usually depends on the type of project the client intends to undertake. The amount disbursed is different for each client and it also depends on the MFI. The starting amount for the client received as a loan in most MFIs is one hundred and fifty United States Dollars.

The microfinance institutions also provide training and skills development to enable the clients to plan, manage and evaluate the investment, keep a record of all activities of the investment and utilise the loan more effectively. The clients are also trained on how to analyse income-generating activities and investment opportunities. The training takes place before the clients receive the loan, after they have got the loan and at the end of the loan period. These training encounters assist the clients in sharing their experiences and challenges with the service providers who formulate strategies of how to improve and adjust their programmes and policies to suit their customers/clients accordingly.

MFIs encourage personal savings by the clients, and this is where in case they have micro-deposit-taking facilities, the clients open savings accounts with them and save regularly. Of late in Zimbabwe there are few deposit-taking microfinance institutions with notable being Microplan a division of FBC bank, Ndoro Microfinance Bank though the Bank is still domiciled in few areas in the country. Another MFI who has the initiative of encouraging savings among the clients is the Moneymart Finance initiative of Mukando Savings Group.

Another role which was found during the research is that of regular supervision of client's projects and monitoring by the service providers to ensure compliance and adherence to the repayment schedules a term they call post-disbursement visit. These supervisory visits enable the service providers to assess the performance of the clients' projects and where there are adjustments to be made, they can be made according to the observations and reports on progress. The clients who may have defaulted are also met and new terms are discussed and agreed upon for better compliance. This also acts as an advisory role of MFIs to clients as during post-disbursement visits MFIs can discover problems through early warning signs and advise clients accordingly.

Another service provided by the MFIs is that of sensitising the clients about their policy issues for the MFIs and their new products, a role which promotes financial literacy among clients. This is where the clients are given information about new loans, saving procedures and any other new product from the MFIs. This enables the clients to benefit from the promotions and diversify their investment portfolio. The clients are also sensitised about food security, chronic diseases, and other health issues. It was established that most of the MFIs sensitize their clients about various chronic diseases so that the necessary precautions are taken for the infected persons appropriately. For example, insurance cover and collateral details are emphasised to enable the MFIs not to lose the funds and for the family to benefit as well in case death occurs to the beneficiary.

The above-mentioned services provided by the MFIs in Chipinge are homogenous to what has been reported by microfinance institutions elsewhere in the world. For example, MFIs in India have been involved in capacity building, financial literacy, livelihood promotion, preventive healthcare, education and training, water, and sanitation (Jha, 2019).

(ii) To determine the impact of microfinance on the welfare of households in Chipinge, Zimbabwe

The results for the quantitative research phase from 38 research participants were determined from the community of Chipinge, Zimbabwe.

These results were obtained from the findings of the survey which was done on the community of Chipinge with a sample of 38 respondents being used with 50 per cent being microfinance users and 50 per cent being non-users of microfinance facilities, and results were presented using different indicators as revealed below.

Access to Microfinance

The researcher used a balanced approach in trying to determine the impact of microfinance on the household welfare of the community by interviewing 50 per cent of the sample being those who accessed and 50 per cent being those who didn't access the facility as presented by the figure below:

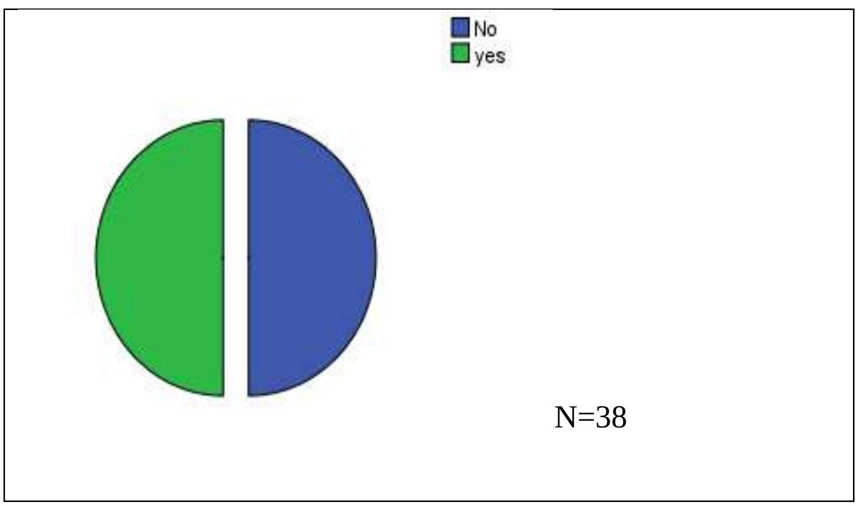


Figure 4.2 Access to microfinance

Source: Own survey (2023)

Frequencies by Product

From the table below it can be inferred that the most MFI product clients are aware of is the business loans type which the clients feel can boost their incomes.

Table 4.2: State a product you have with a microfinance

		Frequency	Percent	Valid Percent	Cumulative Percent
	no access	19	50.0	50.0	50.0
	business loan	14	36.8	36.8	86.8
	personal based loan	2	5.3	5.3	92.1
	Savings	2	5.3	5.3	97.4
	Insurance	1	2.6	2.6	100.0
	Total	38	100.0	100.0	

Source: Own Survey 2023

Food consumption patterns

In relation to food consumption patterns, World Bank (2003) guidelines were adopted as a guide in measuring household welfare. The general idea is that the more well-off households become, the more they shift in their consumption patterns to higher protein diets and lower starch and carbohydrate consumption. In this case, a distinguishing factor for households' welfare would be that those households which have accessed microfinance over time should have higher protein diets consumed in a week. By implication, those households that have never had access to microfinance should display lower protein diet consumption and higher starch or carbohydrate diets.

The questionnaire presented respondents with a list of food items falling within various nutrient groups (starch, carbohydrates, and proteins) to try and link household welfare to food security and nutritional patterns. Results show that those with access to microfinance had a better average serving days of protein food in comparison with those without access as shown on the table below:

Table 4.3: Average days each meal category is served in a week.

	Are you a client of mfi?					
	No			Yes		
	Mean	Number	Standard deviation	Mean	Number	Standard deviation
Bread	2.74	19	2.600	5.63	19	1.422
Porridge	1.84	19	1.344	6.42	19	1.121

Pap/Sadza	7.00	19	.000	5.95	19	.705
Eggs	1.21	19	1.032	5.84	19	1.463
Butter	1.16	19	.688	4.11	19	1.560
Meat	1.79	19	.713	6.00	19	1.291
Vegetables	6.42	19	.902	6.37	19	.955
Fruits	2.00	19	.943	5.63	19	1.950
Dairy produce	1.21	19	.713	6.05	19	1.985

Source: own Survey (2023)

Dwelling-related indicators

The dwelling indicators in the questionnaire were mainly based on the type of roof, the cooking fuel, the source of drinking water and the type of sanitation.

Table 4.4: Dwelling related indicators mean comparison

are you a client of mfi		is toilet facility available	type of cooking fuel source	type of roofing material
No	Mean	.32	1.42	1.84
	N	19	19	19
	Variance	.228	.368	.474
	% of Total N	50.0%	50.0%	50.0%
Yes	Mean	1.00	2.63	3.32
	N	19	19	19
	Variance	.000	.468	.561
	% of Total N	50.0%	50.0%	50.0%
Total	Mean	.66	2.03	2.58
	N	38	38	38
	Variance	.231	.783	1.061
	% of Total N	100.0%	100.0%	100.0%

Source: Own survey (2023)

From the table above by comparing the means of the variables presented in terms of toilet facilities availability, type of cooking fuel source and roofing material it can be inferred that these dwelling indicators have better means for those with access to microfinance compared to those without access and hence indicating that the effect of microfinance access to household welfare in Chipinge is higher compared to those without access.

Asset-related indicators

Different categories of asset indicators were used, which broadly fall into three categories, livestock, transport related and appliances and electronics. The idea was to measure household welfare through analysis of subsequent asset ownership and further note asset differences between those respondents who have since accessed microfinance and those respondents who have never had access to microfinance products and services.

Table 4.5: mean comparison for asset ownership-related indicators

	Are you a client of MFI?					
	No		**Yes**		**Total**	
	Mean	**N**	**Mean**	**N**	**Mean**	**N**
do you own cattle	.37	19	.84	19	.61	38
do you own sheep	.42	19	.84	19	.63	38
do you own donkeys	.53	19	.26	19	.39	38
do you own pigs	.58	19	.47	19	.53	38
do you own poultry	.79	19	.68	19	.74	38
do you have a car	.16	19	.53	19	.34	38
do you have a bicycle	.37	19	.37	19	.37	38
do you have a motor cycle?	.11	19	.53	19	.32	38
do you own a television	.47	19	.89	19	.68	38
do you own a radio	1.00	19	1.00	19	1.00	38
do you own a refrigerator	.37	19	.74	19	.55	38
do you own a stove	.32	19	.89	19	.61	38

Source: Own Survey (2023)

The table above shows that those with access to microfinance have a relatively higher mean on all assets compared to their counterparts except for trivial assets in the form of donkey livestock since they are of low value. Otherwise, other variables under the asset-related ownership indicators have higher means for people with access to microfinance. This then supports the statement that the accessibility to microfinance has a positive impact on the welfare of households in Chipinge.

(iii) To identify the challenges faced by MFIs to provide microfinance in Chipinge effectively

This objective was adopted to determine the challenges facing Microfinance Institutions in servicing the Chipinge Community and the research went on to explore the challenges which clients also face. The researcher found different insights into the challenges which are affecting the Microfinance Institutions in trying to discharge their mandate to the Chipinge community through interviewing the practitioners of Microfinance which are as discussed below:

Poor collateral value was the main highlight of the challenges the MFIs face in trying to give loans to clients. Considering the level of poverty in most rural areas, the assets most clients possess are of poor or low value meaning that using them as collateral for high value loans will be a challenge and hence affecting the operations of the MFIs in the provision of their services to clients. , for example, most property owners do not have title deeds making it difficult to give them bigger amounts which they term inadequate collateral security hence advancing loans to such types of clients will be a risky business since there will be a non-recourse on the loans due to poor collateral. Poor collateral then means low rates of loans accessibility to clients hence affecting ultimately the welfare of households as credit advances economic development one way or the other which has an indirect impact on the welfare of households in Chipinge.

Some people are used to the unregistered lenders/ loan sharks who always have readily available funds and very low paperwork so convincing them is somehow difficult. This may stem from the issue of poor financial literacy within the community hence the clients are likely to make poor financial decisions due to poor financial literacy among the community members, hence which will affect the operations of MFIs. Loan sharks impede the effective provision of MFI services to the community as some clients prefer convenience over secure way of doing business and they may end up being exploited by these loan sharkswho charges usurious rates to the clients and hence the community will have a bad attitude towards MFIs as they will be considered to be exploiting their clients through unfair practices and hence giving high resistances to the MFI operations in the area.

Network infrastructure is one of the impediments which was highlighted by the practitioners during the interview. Chipinge is a community with high terrains and some areas are mountainous, hence this will lead to inaccessibility of some areas due to poor road networks which will increase the cost of providing financial services to the MFIs and hence affect the sustainability of their operations. In addition, some areas have poor network due to their locations, areas like Mutsvangwa actually have poor network which has an impact on communication with the clients and in this era of fintech it will be difficult to utilse the technology as network accessibility is a problem in the first instance. This is one of the factors that impacts the operations of MFIs in discharging their services to the community.

In addition, the researcher found that some areas are used to get funds/ donations by NGOs, so they have donor syndrome, and they are used not to pay back hence some clients may fail to repay on time to the MFIs. This will affect the performance of the MFIs in trying to lend to others as non-performing loans affect the liquidity of the firm leading to deterioration of the quality of the loan book. Poor liquidity indirectly affects the disbursement of loans to other clients and hence this will affect the solvency of the MFIs.

Poor corporate governance affects MFI performance, and it is one of the factors that pose as a challenge to MFIs in their quest to provide services to clients. Strong internal controls and managerial competencies are significant predictors of accountability as postulated by Mukyala et al., (2017), and yet accountability is an indicator of good corporate governance. Bananuka et al. (2018) argue that accountability can be ensured through financial reports. To achieve proper accountability, there is a need to have an effective audit committee to monitor the internal controls that are necessary to achieve proper accountability. Once an audit committee is in place, it may appoint an internal auditor whose roles are broadly categorised into review and evaluation of the effectiveness of internal controls, risk management, regulatory compliance, and improving governance processes (Bananuka et al., 2018). By constructing good corporate governance practices in MFIs this will go a long way in ensuring the sustainability of the operations of MFIs.

Another challenge that microfinance institutions face in servicing the Chipinge community as highlighted by the practitioners is steep competition from traditional banks. Traditional Banks are now also embarking on microlending through the setting up of microfinance units, for example, the Red Sphere microfinance under CBZ bank competes with microfinance in the microfinance sector and this deter the effective discharging of duties by the microfinance companies since they also borrow funds from banks for on-lending hence competing with banks will be un upheaval task since they use depositors' money to lend.

Inadequate management information system is another challenge that MFIs face in trying to serve the Chipinge community. This affects the outreach and sustainability of the institutions as they fail to utilise the management information system and reach out to various prospective clients as well as clients in the area and introduce new products. This finding also corroborates with the finding of Joseph (2016) in his study of the impact of management information systems on microfinance banks operations in Oyo State that the adoption of management information systems has a positive impact on microfinance banks operations and there are indeed significant relationships between management information system and microfinance operations.

Regulatory impediments in the form of high capital requirements are one of the factors that affect the operations of MFIs. Pegging higher capital requirements for a microfinance firm to operate then will crowd out some smaller firms as the high minimum threshold required will reduce the amount available to lend to the clients hence affecting the outreach of the microfinance firms in Chipinge as they will have limited funds to lend to the community. However, regulatory requirements are essential for balancing the financial viability of microfinance institutions with the need to protect vulnerable clients. Well-designed regulations can foster a healthy and inclusive microfinance sector that contributes to poverty reduction and economic development, though, striking the right balance is crucial to avoid stifling innovation and limiting the reach of financial services to those who need them most.

Other factors that affect MFIs in the Chipinge community as highlighted by the practitioners are over-indebtedness of clients; natural disasters as the Chipinge community is often more susceptible to natural disasters and climate change impacts a case in point being Cyclone Idai of 2019 and these events can disrupt economic activities, affect livelihoods, and pose challenges to the financial stability of both clients and MFIs; poor record-keeping in evaluating the performance of their businesses in case of business loans, religious issues as well and cultural impediments.

Challenges facing the Chipinge Community in accessing Financial Services from Microfinance Institutions in Zimbabwe

The objective sought to determine the challenges that are being faced by the Chipinge Community in accessing Financial Services from Microfinance Institutions in Zimbabwe. The findings were as summarized below:

The MFIs demanded collateral as a prerequisite for accessing loans, yet most people in Chipinge didn't have sound collateral. The group collateral had also become a problem since it was reported that it was becoming rather difficult to get trustworthy group members. This was because members would join the group only to access credit and after doing so, they would relocate to an unknown destination for some time. Some group members' businesses would neither break even nor make any profit, yet the MFI wanted the group repayment made on schedule. This made group security a big challenge to the members.

The respondents reported that there was limited choice of the MFI Chipinge. This left them at the mercy of the ones available. The long procedure of accessing the loan was also mentioned as a big challenge. It was however reported that the period between the application and the actual disbursement was too long for the clients. At times the clients lost hope, forgot, and tried other means only to be advised by the MFI offices that their applications had been successful.

The paperwork involved in filling the forms and signing agreements and contracts was cited by some of the respondents as affecting the speed and turnaround time with which the clients handled the applications. It was also pointed out that there were letters of recommendations required from local authorities or employers that would not be readily available and in some instances, money was paid for the stamps. This discouraged the prospective clients from accessing the MFIs.

Some of the clients were also dissatisfied with the initial amount disbursed to them by the MFIs. This was because they felt it was not enough for the business venture that they were to undertake. This often resulted in the clients changing the initial investment to other options, that is loan diversion that was totally new to them and the failure rate in this regard was high, yet the loan had to be paid back.

The respondents also raised the issue of the repayment patterns being too short. This was because some MFIs require their clients to make the repayments weekly. This was rather too short a period for the business to have yielded any returns from which to get money to service the loan. This forced the clients by these circumstances to join as many MFIs as possible to service the loans while they waited for the business to progress steadily a condition which may precipitate the over-indebtedness of the clients leading to higher non-performing loans.

Some of the respondents explained that the MFIs had strict and rigid policies that could not be altered due to varied reasons. Examples included paying penalties when one could not fulfil the repayment schedule, not granting a loan to a group even if it was only one member who had defaulted and collateral seizure in the event of non-servicing of a loan. These policies affected the access to the services of MFIs by some of the clients mostly women in the area since they instilled fear and anxiety that made the women shy away from getting a loan from the MFI.

In addition, the researcher also noted that some of the clients lacked financial literacy, and this was one of the main factors that affected the clients in accessing the loans. Clients were not aware of the various products that are offered by MFIs due to poor financial literacy in the area. Financial literacy also assists in decision-making, cost-benefit analysis of borrowing and making informed decisions on which MFI to approach, what terms to consider and when to borrow.

Another important finding that was noted was higher interest rates charged by MFIs in comparison to mainstream banks. Higher interest rates translate to poor welfare of the clients as they will only be working to meet their financial obligations while ignoring other facets of life and raising the chances of over-indebtedness as they find themselves in the situation of "borrow John to pay Peter."

(iv). To explore how microfinance can be used to fight poverty in Chipinge, Zimbabwe

To address this objective, the researcher interviewed the 12 microfinance practitioners to understand their thinking on how microfinance can be used to eliminate poverty in Chipinge Zimbabwe and below are some of the findings.

Local Needs Assessment

Conduct a thorough assessment of the specific economic, social, and cultural context in Chipinge. Understand the needs and challenges faced by the local population, including their income sources, employment opportunities, and access to financial services.

Tailored Financial Products

Develop microfinance products that are tailored to the needs of the Chipinge population. This could include small business loans, agricultural loans, and savings products that address the unique economic activities prevalent in the region, such as farming or small-scale entrepreneurship.

Capacity Building and Financial Literacy Training

Provide training and capacity-building programs to enhance the financial literacy and entrepreneurial skills of individuals in Chipinge. This can empower them to make informed financial decisions, manage their businesses effectively, and improve their overall economic well-being.

Women's Empowerment

The respondents narrated the importance of women's empowerment in improving household welfare in Chipinge, hence, they recommended recognising the role of women in the local economy and implementing microfinance programs that specifically target women as women often play a crucial role in household economies and empowering them with financial resources can have a multiplier effect on poverty reduction.

Agricultural Finance

Most respondents were of the view that, given the importance of agriculture in many rural areas, including Chipinge, designing microfinance products that cater to the needs of smallholder farmers may tilt the impact of microfinance to the positive transformation of welfare of households. This may include agricultural loans for inputs, equipment, and irrigation, as well as training on sustainable farming practices.

Community-Based Approaches

Collaboration between microfinance and local community organisations and leaders was also cited as one of the approaches that can be implemented in microfinance initiatives to ensure that the poverty reduction goal is attained. This ensures that programmes are culturally sensitive, gain community trust, and have a better chance of success as there will be a mutual connection between the microfinance firms and the community.

Collaboration with NGOs and Government

The respondents were also of the view that the collaboration of microfinance firms with non-governmental organisations (NGOs), local government agencies, and other stakeholders to create a holistic approach to poverty alleviation can improve the welfare of households. This might involve combining microfinance with other development interventions, such as healthcare, education, and infrastructure development.

Technology and Innovation

With the evolving fintech across the globe, most respondents were of the view that enhancing technology and innovation in the community and exploring the use of it such as mobile banking and digital financial services, to enhance the efficiency and accessibility of microfinance services in Chipinge will improve the welfare of households as this can overcome geographical barriers and reach a larger populace.

Sustainability and Scalability

Most respondents were of the view that most MFIs operating in Chipinge were shortsighted and sought to address the immediate financial needs, hence they recommended the designing of microfinance programs with long-term sustainability in mind and considering how successful initiatives can be scaled up to reach more individuals and communities over time.

4.4 Discussion of the Results

The foregoing results of both the qualitative and quantitative research showed that the research participants are quite aware of the challenges facing microfinance firms and the community in accessing microfinance products and hence indirectly impacting the welfare of households. The research provided insight into the roles of microfinance, challenges, and impact of microfinance on the welfare of households as well as ways the community can benefit from microfinance in trying to reduce poverty as discussed below as they are the objectives of the study.

Microfinance has proved to be an initiative which has improved a lot of people's lives through the reduction of poverty among poor people as this was the main objective of microfinance introduction through Muhamad Yunus' Grameen Bank Model. The research found that microfinance plays different roles in society as evidenced by the findings obtained from the research. A notable role is poverty alleviation which agrees with the founding principles and tenets of the formulation of microfinance from the Grameen Model and is also supported by the facts under the evolution of microfinance as postulated by Robinson (2001). In addition, other roles of microfinance were noted including sensitising clients, financial literacy workshops to educate clients, provision of insurance as supported by Kumar et al (2015) and money transfer system as also supported by Daley-Harris (2007), a role being played by Crediconnect Microfinance as an agent of Moneygram, World Remit and Mama money.

The foregoing presented results also indicated that microfinance has a positive impact as it eliminates donor aid syndrome as people are motivated to do self-sustainable projects hence removing the reliance on governments and NGOs. Donor aid leads to complacency and over-reliance on free meals which reduces the economic activities of the beneficiaries and hence affects the economic development of a nation as it doesn't reach its potential. Hence one can conclude that microfinance reduces poverty as even the poor communities can also contribute towards the gross domestic product of a nation.

The findings noted the challenges bedeviling microfinance firms and the community in accessing microfinance products and hence indirectly impacting the welfare of households. Issues to do with network roads and mobile connectivity have an impact on microfinance operations as well as the communities in which the MFIs operate, high risk and mounting loan losses a position held by Nwanyawu (2011).

The research also provided insight into the impact of microfinance on the welfare of households in Chipinge as this was the main objective of the study as evidenced by the metrics discussed above. By mean comparison, for example on asset ownership indicators and food-related indicators, those with access to microfinance had a better score than their counterpart with no access. This presents the fact that microfinance provision has a positive impact on the welfare of households as supported by the Keynesian demand for money theory that access to financial services is useful to the poor even if they are not able to acquire some credit because they offer savings opportunities that are profitable thereby going in support of the direct impact of access to financial services on poverty reduction. The findings also noted that an improvement in the welfare of households through the provision of microfinance shows a bidirectional causality relationship between the welfare of households and microfinance. This is so because the household with good welfare indirectly affects the survival and expansion of microfinance as it reduces the chances of default and enables the sustainability of microfinance for a long time.

The research also provided the ways in which the Chipinge community can benefit from microfinance services in their quest to improve welfare and alleviate poverty in the area. Some of the issues raised were the provision of agricultural finance, local needs assessment, community-based approaches, capacity building and financial literacy training with some of the MFIs doing as a service to communities as well as collaborating with NGOs and government thereby incorporating the poverty alleviation approach to microfinance a strategy which Woller et al. (1999), emphasise as a tool for reducing poverty.

4.5 Chapter Summary

The chapter discussed the findings and identified themes from the responses of the participants. The themes were discussed under predetermined research objectives underpinning this study.

Findings from the qualitative phase and results from the quantitative phase were presented. Chapter five presents the summary, conclusion(s) and recommendations of the study.

CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study was aimed at establishing the impact of microfinance on household welfare with the research mainly confined to Chipinge community. The literature on microfinance and how it operates was reviewed. There was also a review of the literature on the roles of microfinance and the challenges that they face in discharging their roles, especially in rural communities. The study had fifty respondents that were used in the study and the mixed method of research was employed to arrive at the results of the study. The respondents included the microfinance practitioners, people benefiting from microfinance services and the non-beneficiaries of microfinance. This chapter will address the conclusions and implications drawn from the research findings.

5.2 Summary of findings

This section covered the summary of the study findings based on the research questions of the study. The study's main objective was to ascertain whether access to microfinance impacts the welfare of households in Chipinge. The first port of call was to determine the roles of microfinance in Zimbabwe which the study found that the provision of loans as a primary goal, poverty alleviation, savings, insurance province and money transfer services as other roles.

The study also found that microfinance has a positive impact on the welfare of households in Chipinge by answering the question of determining the impact microfinance plays on welfare of households. By comparing the various indicators including asset related indicators, dwelling related indicators and food related indicators through metrices of mean comparison for those with and those without microfinance, the study noted that those with microfinance have a high edge on the quality of the lives compared to their counterparts.

Challenges faced by MFIs and by the community were also identified during the research which impact the provision of services to the Chipinge community. Notable challenges highlighted were competition from traditional banks and loan sharks, financial literacy among clients, poor network infrastructure, inadequate management information systems, poor corporate governance as well as donor aid syndrome and these affected the sustainability of MFIs in Chipinge.

As findings, the various resolves were also proffered on how MFIs can successfully address the poverty alleviation among the Chipinge community chief among them being sustainability and scalability of microfinance programmes, women empowerment, offering agribusiness products in the area, financial literacy trainings, collaboration with local the local organisations and NGOs and carrying out local needs assessment for the community.

5.4 Conclusions

This study concludes that indeed there is a positive impact of access to microfinance on the welfare of households in Chipinge as evidenced by the metrics presented in chapter four. However a lot needs to be done for the marginalised community to access financial services from the MFIs, since some MFIs are facing challenges while seeking to provide services to the community and financial literacy education to the beneficiaries in terms of financial inclusion and financial decisions making are some of the issues that need to be attended to for the community to make use of the benefits that can be derived from accessing microfinance services..

5.5 Recommendations of the Study

The recommendations proffered are based on the results of the study and are intended to help institutions create policies that would allow them to provide their clients with better services. This is because microfinance institutions (MFIs) because many people have benefited from their services, it is crucial to attend to the needs of the clients to coordinate operations and maximise the influence on the community and the nation as a whole.

- **Recommendations for microfinance institutions**

The respondents recommended that the MFIs should rationalise the interest rates, give loans to clients based on their sources of income and assess repayment capabilities before the provision of loans. Development of the microfinance products that are tailored to the needs of the Chipinge population is one of the recommendations that were proffered. This could include small business loans, agricultural loans, and savings products that address the unique economic activities prevalent in the region, such as farming or small-scale entrepreneurship.

To realise the full potential of MFIs in Chipinge, MFIs are recommended to conduct a thorough local needs assessment of the specific economic, social, and cultural context in Chipinge. Understand the needs and challenges faced by the local population, including their income sources, employment opportunities, and access to financial services.

In terms of technology and innovation, with the evolving fintech across the globe, MFIs should enhance technology and innovation in the community and exploring the use of it such as mobile banking and digital financial services, to enhance the efficiency and accessibility of microfinance services in Chipinge which will improve the welfare of households as this can overcome geographical barriers and reach a larger populace.

Further requests are made to the MFIs to regularly supervise, monitor, and follow up with their clients adequately and closely to avoid diversion of funds what they term post-disbursement visits. The MFIs should also collaborate with and facilitate with the local authorities and NGOs to monitor and supervise their clients in the areas where they operate. This is because their workers are skilled and always in the field to promote their programmes in the villages.

- **Recommendations for the government**

The government is urged to be a participative stakeholder in the determination of interest rates for example interest caps though this may stifle the operations of the MFIs since they also aim for self-sustainability and monitor the services of the MFIs. The respondents also recommend that the government protect the borrowers from the MFIs and provide community sensitisation and training guidelines for the access and utilization of MFI services.

The respondents were also of the view that the government must collaborate with microfinance firms, non-governmental organisations (NGOs), local government agencies, and other stakeholders to create a holistic approach to poverty alleviation thereby improving the welfare of households. This might involve combining microfinance with other development interventions, such as healthcare, education, and infrastructure development.

- **Recommendations for MFI clients**

Financial literacy topped up the recommendations by the respondents. The respondents recommended that MFI clients should be trained thoroughly before undertaking credit facilities for an enterprise, use money for intended purposes only and avoid money misuse and diversion of funds. By providing training and capacity-building programs to enhance the financial literacy and entrepreneurial skills of individuals in Chipinge. This can empower them to make informed financial decisions, manage their businesses effectively, and improve their overall economic well-being.

The clients are also urged not to move from one MFI to another but rather study the operation of the MFI before accessing its services and support each other with skills, supervision, and monitoring as a group. The clients are further encouraged to get more investment opportunities instead of only one, have an enterprise before borrowing the money and not use credit to start investments but rather to expand or diversify investments.

5.6 Areas for Further Research

Further research needs to be undertaken on the MFIs as to why most of them fail despite posting profits on their annual performances. Furthermore, there is need to check if MFIs are also adequately funded by the Central Government given the role they play in economic development.

While research on microfinance seem to be abundant, there still exists opportunities to expand this in Africa, Zimbabwe especially in the rural areas currently there is not enough empirical literature on microfinance or its impact in Zimbabwe. The researcher identified key research areas which need to be explored including the impact of financial literacy on financial inclusion and what technology innovations can be introduced by MFIs in the wake of fourth industrial revolution the issue of FinTech’s, for better reach of MFI initiatives particularly to those deep rural areas of Zimbabwe.

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APPENDIX A: INTRODUCTION LETTER

10 November 2023

Dear Respondent

I am a postgraduate student at Great Zimbabwe University. My research study seeks to determine the impact of microfinance on household welfare, a case study of Chipinge. The study is important in that its results will provide not only new but critical knowledge to the government, policymakers, practitioners, scholars, researchers, and other stakeholders and for this reason, I humbly request you to complete the questionnaire as honestly and realistically as possible. By answering all the questions honestly and sincerely you will enable the researcher to generate new knowledge that will help key stakeholders implement the recommendations of the study.

Based on the observance of sound research ethics, I promise to treat both your identity and responses as confidential material. In keeping with the principles of confidentiality and anonymity, you are not allowed to write your name on the questionnaire. You are kindly requested to sign in the space provided below to show that you have voluntarily agreed to respond to this questionnaire.

Finally, allow me to take this opportunity to thank you in advance for your support.

Yours faithfully,

Kudzai Chihanya (M101659)

APPENDIX B: SEMI-STRUCTURED INTERVIEWS

This interview should be answered by an employee of MFI in Chipinge. Thank you in advance for responding to all the interviewed items.

<u>SECTION A</u>

Demographic and general information

1. Gender Male ☐ **Female** ☐

2. Education Level: Primary ☐ **O - Level** ☐ **A - Level** ☐

Diploma ☐ **Bachelor's Degree** ☐ **Masters** ☐

PhD ☐

3. Age: …………………………………………………………………………………………….

4. Years of Experience working in Microfinance: ………………………………………….…...

<u>SECTION B</u>

What are the roles of Microfinance in Zimbabwe?

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What are the challenges facing Microfinance Institutions in servicing the Chipinge Community?

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What are the challenges facing the Chipinge Community in accessing financial services from the Microfinance Institutions in Zimbabwe?

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What do you suggest should be done to ensure the Chipinge Community enjoy financial services from Microfinance Institutions in Zimbabwe?

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APPENDIX C: QUESTIONNAIRE FOR COMMUNITY MEMBERS

This questionnaire should be completed by a respondent who is a community member of Chipinge. Thank you in advance for responding to all the questions in the questionnaire.

Section A: Personal Information

1. Gender: Male ☐ Female ☐

2. Marital status…………………………………………………………………………………..

3. Age: ………………………………………………………………………………………….

4. Number of dependents: ……………………………………………………………………

5. Role in the house………………………………………………………………………………

6. Language: ……………………………………………………………………………………...

7. Product accessed from MFIs: ………………………………………………………………

8. Highest Amount borrowed: ………………………………………………………………

9. Use of product: ……………………………………………………………………………...

12. MFI client status (regular, active, once-off or not a client): …………………………

Section B

Part 1: Food Related Indicators

1. How many meals are served in the house daily?
2. Kindly indicate how many days the following foods are served in a week?

Bread	
Porridge	
Pap/sadza	
Eggs	
Peanut butter/Jam/Margarine	
Meat, chicken or fish	

Vegetables	
Fruit	
Dairy	
Other please specify	

How often do you purchase the following items in a month?

Bread	
Porridge	
Pap/sadza	
Eggs	
Peanut butter/Jam/Margarine	
Meat, chicken or fish	
Vegetables	
Fruit	
Dairy	
Other please specify	

Part 2: Dwelling-related Indicators

How many rooms?	
What type of roofing material?	
Type of cooking fuel source?	
Source of drinking water?	
Is toilet facility available?	

Part 3: Asset-Based Indicators

Livestock		
Cattle		
Sheep and goats		
Donkeys		
Pigs		
Poultry		
Transport related assets		
Cars		

Bicycles		
Motorcycles		
Other		
Appliances and Electronics		
Television		
Radio		
Refrigerator		
Stove		

---------END OF QUESTIONNAIRE-------