MUNHUMUTAPA SCHOOL OF COMMERCE

DEPARTMENT OF ACCOUNTING AND INFORMATION SYSTEMS

THE INFLUENCE OF CREDIT RISK MANAGEMENT ON FINANCIAL PERFORMANCE OF MICROFINANCES IN ZIMBABWE

DISSERTATION

BY

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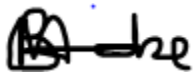
We, the undersigned do hereby certify that we have read and therefore recommend to Great Zimbabwe University for acceptance; a research project titled "The influence of credit risk management on financial performance of microfinances in Zimbabwe." submitted by Prisca Jinga in partial fulfilment of the requirements of the Master of Commerce Degree in Professional Accounting and Corporate Gorvenance/Grad Icsa.



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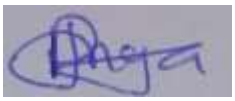
I hereby declare that the project has been the result of my effort and such work was not presented elsewhere for any Higher Diploma or Degree. All additional information was acknowledged by means of references.

Signature:  **Date:** 22 December 2023

DEDICATION

This research is dedicated to my Parents, Mr F.T and Mrs Y.Muchoza, I wished you lived to witness this achievement. Thank you for imparting the concept of hard work in me.

ACKNOWLEDGEMENTS

I would like to extend my heartfelt gratitude to my Supervisor Mrs. R. Mandizvidza for patiently steering me towards the successful completion of this study. I am greatly management and staff of the 10 MFIs that were part of this study for granting me the permission to carry out this study. I would also want to thank the participants without whose contributions this study would have been successful.

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ABSTRACT

This study was an examination of the influence of credit risk management on financial performance of microfinances in Zimbabwe. It was motivated by the fact that the RBZ operations reports for MFI on the performance of MFIs indicated that there is lack of compliance in that regard despite legal requirements to that effect. The same also was noted by Zimbabwe Association of Microfinances Institutions (ZAMFI) in its surveys in 2021 and 2022 as it noted lack of compliance by 62% of the MFIs with regards to establishment of risk management departments. In this study, the use of multiple methods in a mixed methods approach enabled triangulation, which involves cross-validating findings from different data sources and methods. The current study adopted the explanatory research design. From the 206 credit only MFIs in Zimbabwe, the current study made use of only 10 MFIs. The sample size was determined using the Raosoft calculator found on Raosoftcalculator.com. For this study, the sample was determined to be 294. The study adopted a stratified sampling because it allows the researcher to divide the population of microfinance institutions into relevant subgroups or strata based on specific characteristics. The study reveals a positive and strong relationship between Non-performing loans and financial performance (r=.555) and there was a significant statistical association between Non-performing loans and financial performance. Findings point to a positive a positive and strong relationship between credit risk management and financial performance (r=.567) and also there was a significant statistical association between credit risk management and financial performance. The study found a positive and weak relationship between credit rating system and purchase intention (r=0.006) and there was no significant statistical association between credit rating system and market share. The study also found a positive and strong relationship between collateral evaluation system and financial performance (r=560) and there was a significant statistical association between collateral evaluation system and financial performance. It is suggested that strategies to enhance credit risk management for effective fianncial poerfoamance of MFIs can include; implementing a robust credit risk assessment framework to enhancing credit risk management and improving the financial performance of MFIs. It also came out that regular monitoring and proactive management of the loan portfolio are key strategies to enhance credit risk management. It is concluded that there is a significant relationship between Non-Performing Loans (NPLs) and credit risk management in microfinance institutions (MFIs). Effective credit risk management practices, such as robust credit assessment frameworks, regular monitoring of loan portfolios, and proactive management of delinquencies, have been found to reduce NPL ratios and improve the financial success of MFIs. It is concluded that there is a negative effect of implementing a credit rating system on the financial performance of MFIs. It is also concluded that collateral evaluation systems does play a significant role in the financial performance of MFIs. Effective collateral evaluation helps MFIs assess the value and quality of collateral offered by borrowers, reducing credit risk and potential losses. It is recommended that Microfinance Institutions must develop robust credit risk assessment frameworks: Establish comprehensive credit risk assessment processes, including borrower evaluation, collateral assessment, and repayment capacity analysis. Regularly update and refine these frameworks based on industry best practices and regulatory requirements.

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CHAPTER I

INTRODUCTION

1.0 Introduction

The study entails an examination of the influence of credit risk management on financial performance of Microfinances in Zimbabwe. This chapter outlines the background of the problem and the problem itself. The chapter includes; the background of the study, statement of the problem, research questions, objectives and significance. Included also is the outline of chapter and it ends with a summary.

1.1 Background of the study

Microfinance sector is a strategic industry that have crucial contribution to economic growth. The main aim of Microfinance Institutions in developing countries like Zimbabwe is to facilitate for financial services to the poor and to people who do not have access to traditional banking (Thabani et al, 2020). These individuals might be less financially literate and possess fewer assets which raises the possibility that they can default on their loans thereby credit risk management occupies the integral part of the survival of MFI's (Bouteille and Coogan Pushner2021). The Zimbabwe economic crisis that occurred between 2018 to 2019 along with currency transition brought instability in the MFI's. MFIs play an important role in contributing to a country's economic development and if MFIs sector does not perform well, the effect to the economy could be huge and broad. From their empirical findings, Demirguc-Kunt and Detragiache (2010) suggested that MFI profitability is an important predictor of financial crises. The main regulatory body of MFIs in Zimbabwe which is the Reserve Bank of Zimbabwe has instigated risk management framework in operations of MFI's.

In the financial sector, risk management is seen as one of the most essential internal circuits upon which decisions are made by financial institutions. (Aureliju et al, 2020). According to Boateng and Bampoe (2015), managing risk is a complex task for any financial organization and the core

of risk management is on making educated decisions on how much risk to tolerate and how to mitigate the risk that cannot be tolerated.

Inefficient credit risk supervision methods and poor credit quality remain overriding reason of microfinance institutions' collapse and globe financial crises (Tetteh, 2019). Researches on the failure of microfinance institutions in the world at large have revealed that low quality of loans is a predominant cause of bank distresses (Boahene, el at 2019). Therefore, an effective supervision of credit risk should be implemented during the credit granting stage to the recovery stage. Financial Institutions have to stress credit worthiness of the customer because if default occurs, they will find themselves in a financial shortage linked with its adverse implications.

As financial performance of MFIs dwells entirely on generated returns of assets from operations; loan portfolio falls as a critically valuable asset that unfortunately exposes the institution to financial risks (credit risk, market risk and liquidity risks) Chenya et al (2018) As performance is majorly pinned on loan returns, credit risk begins when these loans are extended to the borrowers since the possibility of defaulting with interest is considered (Dziobek, 2018). MFIs might lose a significant amount of the loans issues which results in ruining the loan portfolio and eventually escalate to poor financial performance such as losses, bankruptcy, economic downturn. In any organization especially financial institutions, financial performance is affected by credit risk.

According Scheufler (2019), credit risk management is significant to MFIs since it plays an integral role in crediting process by maximizing the institution risk, adjusted risk rate of return by monitoring credit risk exposure with a view of shielding it from adverse effects of credit risk. Scheufler (2019) further explains that credit risk management endeavors to lower risk exposure in extended loans thus having optimal debtors level with reduced chances of bad debts and enhances financial health.

Seppala et al., (2019) argue that a sound credit policy would help improve prudential oversight of asset quality, establish a set of minimum standards, and to apply a common language and methodology (assessment of risk, pricing, documentation, securities, authorization, and ethics), for measurement and reporting of non-performing loans, loan classification and provisioning.

The credit policy should set out the financial institutions' lending philosophy and specific procedures and means of monitoring the lending activity (Polizatto, 2010).

According to Hermes and Lensink (2021), the financial systems approach emphasizes the importance of financially sustainable MFIs that guarantee a large-scale outreach to the poor on a long-term basis. Achou and Tenguh (2018) also conduct research on bank performance and credit risk management and found that there is a significant relationship between financial institutions performance (in terms of profitability) and credit risk management (in terms of loan performance).

A study carried out by Boahene et al. (2019) in Ghana exposed that credit risk constituents do not reduce the profitability of a bank. This implies that, banks in Ghana experience high profit irrespective of the huge credit risk exposure, conflicting with views shared by other researchers; Njanike (2019), Al-Khouri (2019), Poudel (2019) that credit risk indicators are inversely related to profitability. The prime concern of this thesis is to determine whether credit risk has an impact on the profitability of Microfinance Institutions in Zimbabwe using secondary data from 2010 to 2021.

According to Muvengwa and Kumbonga (2021), the inability of a bank or a micro financial institution to effectively control its credit risk has a substantial adverse result on the performance of its profitability both in the short and long term. In the last five years, some financial institutions in Zimbabwe have had their hard earned reputation tarnished and others who could not curtail or curb the situation have collapsed because of weak measures in the controlling of credit risk categorized by massive of insider loans, external fraud and the avoidance of diversified loan portfolio.

MFIs are exposed to credit risk especially from unsecured loans as Churchill and Coaster (2018) put it, 'traditional collateral'. Since MFIs extend credit to those without collateral, it leads to a high default risk for repayment of interest or even the principles. This calls for a strategic credit risk management that entails identification of existing and potential risks inherent in lending activities. Nonetheless, most recent studies have focused on credit models used by MFIs and their impact on profitability (Gatuhu, 2021). According to Nguta and Huka (2021), MFIs in

Zimbabwe offer medium amounts of loans mostly to business people who cannot afford collaterals to get loans from the main commercial banks. Despite the recent growth in the Micro-finance sector, the sector is faced with challenges of loan repayment defaults by clients (Nguta and Huka, 2021).

Individual groups have tried using group's equity for collaterals which is expected to ensure the revolving of money for the benefits of other individual's members of the group. However, loan delinquency has continued to causes serious challenge to most microfinance institutions. Other studies have focused on MFIs in Zimbabwe on effects of credit recovery, credit management or credit risk management on financial performance but none has been done with specific focus on Deposit Taking Microfinance institutions licensed by the Reserve Bank of Zimbabwe.

Available literature shows that some studies have been conducted on the determinants of financial performances in Zimbabwe but little evidence exist on the root causes of the recent poor performance of MFI in the country in regard to credit risk management leading to continued increased non-performing credit facilities, eventual loss of shareholders equity, massive lay-offs and slower economic growth. The development above shows that there is a gap on what affects a firm's financial performance from a credit risk management perspective. In view of this the study seeks to determine the effect of credit risk management on the financial performance of MFIs in Zimbabwe. This study contributes towards filling the gap by analyzing the effects of credit risk management on performance of MFIs in Zimbabwe.

1.2 Statement of the problem

It is a requirement that every MFI must have a risk management department and this is clearly outlined in Statutory Instrument 213 of 2016. However, the RBZ operations reports for MFI on the performance of MFIs indicate that there is lack of compliance in that regard. The same also has been noted by Zimbabwe Association of Microfinances Institutions (ZAMFI) in its surveys in 2021 and 2022 as it noted lack of compliance by 62% of the MFIs with regards to establishment of risk management departments. In 2009, RBZ attributed the failure on risk management to failure to establish sound risk management departments among MFIs. The same was also noted by ZAMFI in 2019 as 14 MFIs and 19 downsized their operations. The problem

that this study seeks to investigate is the prospects and challenges that exist in the management of risk in microfinance institutions and the implications on financial performance. MFIs seem to be prone to a number of risks that include moral hazard, agency problem, and information asymmetry, financial, operational and marketing (RBZ, 2021). These risks are life threatening to the existence and sustainability of microfinance institutions. Risk management is one of the crucial issues in the growth and development of any entity. A number of MFIs face collapse or near-collapse because they are not capacitated to detect operational risks beforehand. These problems trouble the MFIs if they are not detected for the futuristic survival of the organizations. In Zimbabwe, most MFIs collapsed during the 2000-2009 period because of the difficult economic conditions. Operational risks weighed heavily on the organizations because they were not able to detect the risks in good time to avert such organizational life-threatening conditions. According to an annual report released by the Reserve Bank of Zimbabwe in the year 2021, there have been high cases of credit risks linked to non-performing loans in microfinance institutions for over a decade, a situation that has adversely impacted their profitability. Increasing profitability is a priority for all managers in financial institutions. RBZ reports.

1.3 Purpose of the study

The main purpose of the research is to analyse how the risk management will influence the financial performance of Microfinances in Zimbabwe. To analyse the effect, there is need to find whether the relationship of those two variables exists or not. The major issue is the indicators of credit risk management and profitability.

1.4 Objectives of study

In relation to the selected microfinance institutions, the specific objectives for the study include;

1.4.1 Primary Objective

To explore the influence of credit risk management on financial performance of Microfinance institutions in Zimbabwe**.**

1.4.1 Secondary Objectives

1) To examine the relationship between Non-Performing Loans and Credit risk management on the financial success of MFI's.
2) To assess the effect of credit rating system on the financial performance of MFIs
3) To investigate the extent to which collateral evaluation system affect the financial performance of MFI's.
4) To come up with the strategies to enhance credit risk management in MFIs.

1.5 Research questions

In order to achieve the above study objectives, the research aims at addressing the following questions in relation to the selected microfinance institutions in Zimbabwe.

1.5.1 Primary Research Question

- What is the influence of credit risk management on financial performance of Microfinance institutions in Zimbabwe.

1.5.2 Secondary Research Questions

- What is the relationship between non-performing loan and credit risk management on financial success of Microfinances?
- What is the effect of credit rating system on the financial performance of microfinance institutions in Zimbabwe?
- How does collateral evaluation contribute towards the financial performance of microfinance institutions in Zimbabwe?
- Which strategies can be used to enhance credit risk management in MFIs?

1.6 Significance of the study

1.6.1 To the researcher

The study is expected to develop the knowledge of the researcher in the area of study and also act as a training ground for the future academic and scientific researchers. The study will also allow the researcher to put to test the relevance of theory in the world with a sound background of credit risk management on financial performance of Microfinances in Zimbabwe. The study is relevant as it is playing a part in the fulfilment of the academic for Masters in Professional

Accounting and Corporate Governance and also benefits more work-related knowledge from this study as the reseacher is employed in the Microfinance sector.

1.6.2 To other researchers

The study will carry rich intellectual arguments and results beneficial to researchers and scholars in outlining flexible procedures to be used by MFIs to assess firm performance and the likelihood for borrower default. The study will supplement to the body of knowledge in finance and accounting discipline by bridging gaps in credit risk management studies. Academicians will have another reference in the study of credit (risk) management vis-à-vis financial performance. The research will also provide other researchers with empirical studies to use in their studies.

1.6.3 To the university

The research will be used as reference for the university and other related researches. The study if published is also expected to advance the reputation and goodwill of the university. This will have impact on enrolment as a result of the gained academic goodwill. The research is expected to increase knowledge and skills as new information on the application of risk management techniques in MFIs with the publication of the study. The research will also assist in the identification of areas for practical improvement and competence of the learners in related fields. The results of this study will be valuable to researchers and scholars, as it would form a basis for further research.

1.6.4. To Government

This study is expected to assist the government to have an appreciation of the operations of local MFIs their risk management operations. The study is therefore important to in assistance of the Government in coming up with relevant interventions that are meant to ensure that local MFIs do not only survive, but that they also thrive.

1.6.5 Microfinance institutions

In the context of Zimbabwe Microfinance Institutions, the conceptual and theoretical framework is centered on improving credit risk management theory. Previous studies have looked at the relationship between credit risk management and profitability of banks. This study intends to increase the body of knowledge by quantitatively and qualitatively determine the factors that affect credit risk management and its effect on financial output. This unfolds for more efficient risk management procedures and future financial viability in the Microfinance industry in Zimbabwe.

. It would serve as an embodiment of knowledge to individuals, management and practitioners in the finance industry. A number of contributions out of this study will be made to building the knowledge and improve practice in credit risk management as well as financial performance. Since the research will consist of a broad review of theoretical and empirical studies, a comprehensive framework of the studying changes in financial performance and credit risk management will be outlined and recommended. In addition, the study will shed more light to policy makers as they pursue increase the body of knowledge in the microfinance/financial sector.

Microfinance institutions under survey will benefit greatly as the study result will directly reflect their position and recommendations deduced from the study will be very relevant. By extension, other financial institutions will benefit from results of the study. The non-financial business firms, in various sectors of the economy, will benefit from the research findings e.g. to make informed decisions. The study results will shed insight on appraisal of credit policies and review of operations such as critical perspectives while giving credit facilities.

1.6.6 To regulators and policy makers

To regulators and policy makers, the research will provide the basis for regulatory policy framework to mitigate the financial system from financial crises and to better appreciate and quantify those credit risk exposures.

1.7 Assumptions

For the success of this study the researcher came up with the following assumptions:

- It is assumed that respondents are knowledgeable and insightful on risk management in MFIs.
- The economic conditions would be stable during the study period.
- The time of study would be sufficient for the successful completion of the study.
- Respondents would be truthful and willing to participate in the study.
- There would be minimal disruptions that would have any significant impact on the study, at the companies selected for this study.

1.8 Delimitations

The study is limited to analysing the influence of credit risk management on financial performance of Microfinances in Zimbabwe. Any other factor that may influence the financial performance of MFIs is not put into consideration in this study. The researcher focuses on the period June 2018 to June 2023.

The study is also limited to 10 MFIs that have at least three branches in Zimbabwe. The ten MFIs are; [Creditplus; Creditconnect; Cherywerk Microfinance; Creditlink Microfinanace; Inclusive Microfinance; Solten Microfinance; Maxbarxs Microfinance; Willbey Microfinance; Wisrod Microfinance and Virly Microfinance]. Consideration is also put on the number of years in existence and the criteria is that the MFIs must have been in existence for over 5 years. The reason being that the significant effects of risk management on financial performance of Microfinances can only be realised after a period of 4 or more years.

1.9 Limitations

Time is always a limiting factor. Time limits the study because of bureaucracy involved in getting information from organization under study. The researcher is also a full-time employee and it was very difficult to balance the two. The researcher anticipated that due to busy schedules of some of the respondents, the questionnaire might not be attended to timeously. To counter that, the researcher followed up with personal interviews as these provide instant results.

The sensitivity the information that informs the study leads to the respondents not willing to disclose the information for the fear of victimization. Some of the participants found it difficult

to trust a researcher with information as they feared that it may be inappropriately used. Therefore, the respondents were guaranteed of confidentiality and that the research is strictly for academic purposes only.

The present study like other prior studies encountered limitations associated with sample size generalizability, data collection methods, research approach as well as accessibility of respondents. Regarding challenges on data collection, researcher resorted to the monkey survey instrument.

1.10 Definition of terms

Credit - According to Kitua (2021), credit is the faith lender has in a borrower so that resources can be transferred to the borrower without immediate payment. According to Onyeagocha (2021), the term credit is used precisely to refer to the confidence lender have in a borrower by prolonging a loan which may take the form of money, goods or securities.

Credit Risk - Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk management is the maximization of a bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters (Oldfield & Santomero, 2020).

Financial performance - It is defined as a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenues (Gosling, 2018).

Microfinances - These are defined as financial institutions that are characterised by their commitment to assisting small enterprises and other individuals in gaining financial access (Gauling, 2021). Microfinance is also defined as a banking services provided to low income individuals of groups otherwise who do not have access to financial services (Taugimn, 2019).

Credit worthiness – It is the ability and the readiness of a borrower to settle his or her debt. This is one of numerous issues which determine what should go into the credit policies of a lender (Barman, 2019).

1.11 Research outline

The research is split into five distinct sections which are:

The first chapter outlines the background to the study, research objectives, research questions and the statement of the problem. It also highlights justification of the study limitations and delimitations of the study.

Chapter II reviews the relevant literature, outlines the theoretical background and conceptual framework laying the foundation for the research. It outlines the contributions of previous researchers and authors to the field under study.

The third chapter focuses on the research methodology, that is, the approach and strategy employed by the researcher in gathering data, data analysis as well as limitations encountered in the course of the research.

Chapter IV looks at the response rate, interpreting and analysing implications as well as making intellectual inferences. Overall the chapter's main thrust is discussing the results and matching them to existing literature.

Chapter V summarizes and draws conclusions as well as recommendations of the study. The chapter also details the actions to be undertaken so as to improve risk management practices in MFIs.

1.12 Chapter summary

The purpose of this research is to discover the impact of credit risks on the financial performance of MFIs in Zimbabwe. This chapter has provided a foundation for the whole study including background to the study, statement of the problem, research objectives, and significance of the study, delimitations, and limitations of the study. It outlined the research objectives, research questions and justification of the research. The next chapter is a review of the literature from other sources.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on literature review. It includes a conceptual model. The chapter also includes determinants of financial performance of MFIs, theoretical framework (Portfolio Theory and 5C'S credit appraisal theory). The chapter also includes an empirical literature review. The chapter ends with a summary.

2.1 Conceptual model

MFI's are mandated to manage credit risk because it affects their ability to generate returns Agbanorcid et al (2023). Microfinances to grow it is essential to monitor the risk of losses brought by borrowers failing to repay their loans. The conceptual framework spells out the correlation involving credit risk management (independent variable) and financial performance which stands as a dependent variable. The conceptual model and research hypotheses in the current study, Okpala (2019) proposed a conceptual model which suggests that there is a relationship between credit risk management strategies and financial success of MFI.

Indicators of credit risk management forms a moderating factor between credit risk management and profitability in the quoted microfinancing institutions in Zimbabwe. Ayoola and Arinze 2023, alluded that there are most desirable indicators that shed light on the complicated interaction between credit risk management procedures and financial performance which are credit rating system, collateral evaluation and non-performing loans. Under research. Figure 2.1 shows the relationship between the conceptual model indicating the independent and dependent variables based on the prior researchers' works and directions.

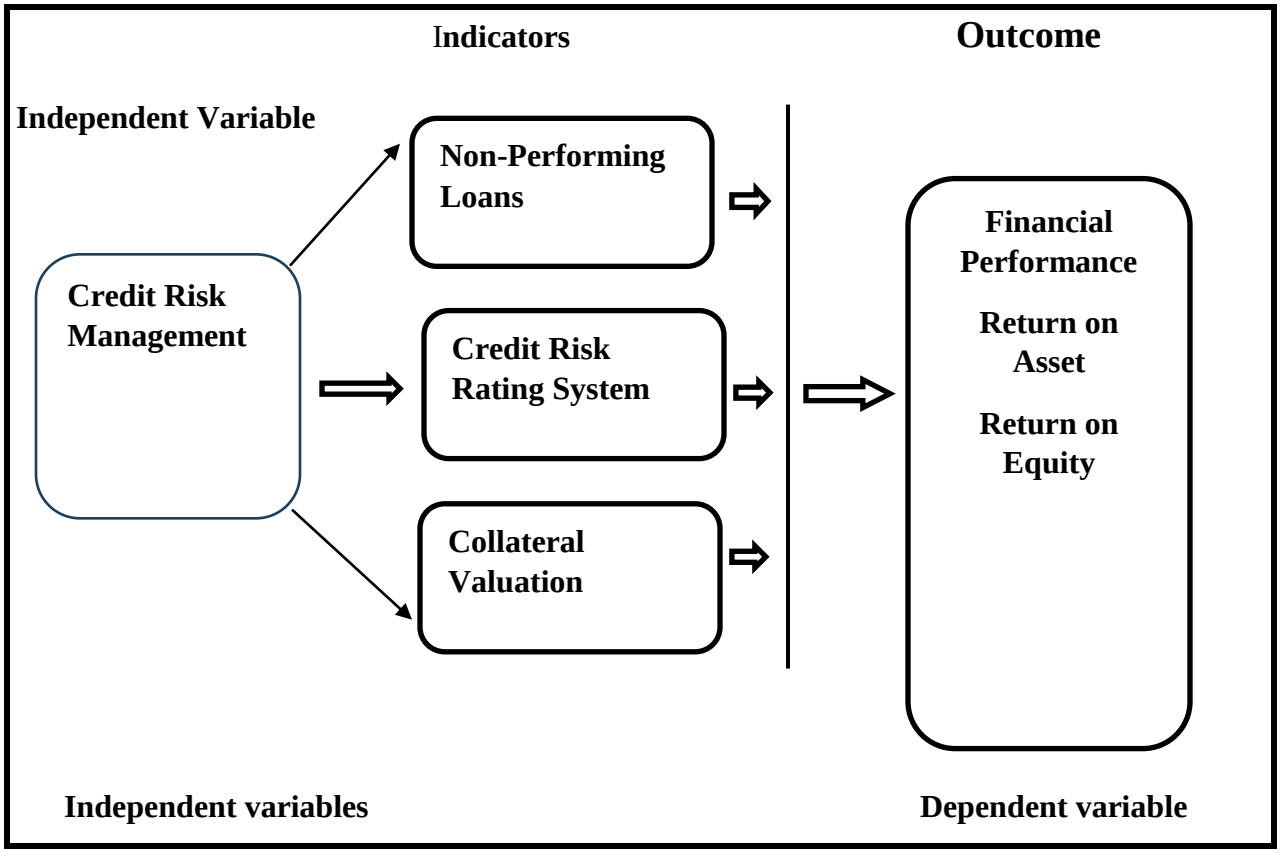


Figure 2.1: Conceptual framework model for the study

2.1.1 Credit Risk Management

Credit risk management is the practice of identifying measuring and monitoring risk of losses bought on by borrowers failing to repay loans, Agbanorcid et al (2023).According to Abel et al (2022) credit risk management is a procedure of mitigating losses by assesing borrower's credit risk including payment behaviour and affodability ,This process has been along standing challenge for financial institutions.

2.1.2 Indicators of Credit risk management

Indicators of credit risk are defined metrics that identify and predict potential credit risk ,Bennona and Tkiouat (2019) .They assist financial institutions to undestand and evaluate risk levels across the organisation.Risk indicators in a Microfinance serve as a measurement for risk

and signals changes in risk exposure .Credit risk management indicators are Non Performing Loan (NLP), credit rating indicators and colletaral evaluation system

2.1.3 Non Performing Loans (NLPs)

Non Perfoming loans, is the proportion of a bank's loan portfolio that is delinquent or in defaul Agbanaorcid et al ..(2023). High levels of NPLs may indicate insufficient credit risk management and pose a risk to the bank's ability to make money**.**According to Chenya etal..(2018), major threat facing microfinance institutions is increase of Non Performing Loans (NPL) that lead to downfall of most financial institutions.Increase in NPL affect working capital and NPL is a sign whether credit risk manangement is taken into consideration or not.

2.1.4 Credit risk rating system

According to Teodara Cezara (2020) rating system quantify credit risk, catergorise individual loans and groups of credits by the risk they pose .The rating system enables the lender to determine the creditworthiness of the borrower.Details of the borrower such as credit history, payment history and frequency of borrowing is considered in credit rating system.The credit risk rating system should be dynamc and should change when risk changes.MFI''s must have an analytic techniques for credit rrisk rating which comprise of character of the borrower, capacity of the borrower commitment, cashflow of the borrower and purpose of the loan

2.1.5 Colletaral Evaluation

Collateral evaluation determines the borrower's capacity to repay the loan and it enables the MFI's to assess possibility of loss in an event of defaulting.Valuation of assets pledged by borrowers resembles consistance of credit risk manangement

2.2 Financial Performance

Verma 2023 defined financial performance is the degree to which financial objectives has been accomplished and is an essential aspect of risk manangement,Financial perfomance measures firm's policiesand operations in monetary terms.

According to Gibson (2018), financial performance may be referred to as the extent to which financial goals and objectives of a financial institution have been accomplished or are being attained. It is a process of matching up the revenue generated to the institution's set policies. It is a key measure for assessing the financial health of a particular organization within the set time.

Wakira 2019. alluded that several financial institutions to measure their financial stability and performance utilize profitability ratios. These ratios are key indicators of credit analysis in most banks as well as MFIs, as they are linked to the results that are attributable to the performance of management (Gibson, 2018). Regularly used ratios are Return of equity as well as return on assets. The superiority level of return on equity should be at least 15% and 30%, for Return on Assets; it should be at least 1%. ROE is a significant indicator in measuring profitability, consequentially, financial performance. Further, ROE evaluates the efficiency of MFIs illustrating the level at which MFIs reinvest their earnings to generate

2.2.1 Return on equity

Return of equity (ROE) is popularly used as a proxy to measure company's profitability and how efficiently it generates those profits. This study measures ROE by dividing the net profit attributable to equity holders of the company, i.e. profit after tax, by the closing book value of equity. Many of the prior researcher who engage in similar studies use the ROE as a tool for measuring firm's financial performance. For example, Wakira (2016) and Hlupo (2022).

2.2.2 Return on Asset (ROA)

According to Jehona 2019, return on asset is widely used as indicator to analyse financial performance or profitability of MFI.On the same note, Syeda 2020 indicated that ROA measures how well the institution uses the assets and it reflects profit margin as well as the efficiency of the institution. Tucker and Miles (2020) studied three data series for the period between March 2019 and March 2011 and found that self-sufficient MFIs are profitable and perform better, on return on equity (ROE) and return on assets (ROA), than developing-world commercial banks and MFIs that have not attained self-sufficiency. However, aggregate data of all MFIs in the sample show that MFIs are unprofitable and perform bad compared to their geographic

commercial peers. In order to optimize their performance, MFIs are seeking to become more commercially oriented and stress more on improving their profitability through the toolkit of credit risk management.

2.3 Theoretical framework

This section covers the theories of credit risk management in relation to financial performance.

2.3.1 Portfolio Theory

Theoretical foundation of Modern Portfolio Theory (MPT) was developed by Harry Markowitz and later changed it to portfolio theory since there was nothing modern about it. According to Markowitz (2012), the theory allows investors to measure the expected risks and returns, as given statistically, for their investment portfolios. Since the 1980s, banks have positively employed MPT to market risk. Scheufler, (2020), posits that the information of MPT theory to default risk has lagged over the years, not to mention, default risk remains the largest risk faced by many financial institutions.

McClure (2023), stated that the principles of portfolio analysis that craft a strategy that offers high returns and relatively low risk is a priority for Microlenders. The effect of concentrating risk has lead to banks and financial institutions to diversify their exposure limit across the borrowers and among various type of debt facilitators.

Banks recognize how credit concentrations can adversely impact financial performance. As a result, a number of sophisticated institutions are actively pursuing quantitative approaches to credit risk measurement, while data problems remain an obstacle. This industry is also making significant progress in using credit derivatives to transfer risk efficiently while preserving customer relationships. These two approaches have led to a vastly accelerated progress in managing credit risk in a portfolio context over the past several years (Scheufler, 2020). Nonetheless, other than MPT theory, majority of financial institutions apply earnings at risk (EAR) model to manage their interest rate risk and market risk exposures.

While the asset-by-asset approach is a critical component to managing credit risk, it does not provide a complete view of portfolio credit risk, where the term risk refers to the possibility that

actual losses exceed expected losses Baker (2018). Therefore, to gain greater insight into credit risk, banks increasingly look to complement the asset-by-asset approach with a quantitative portfolio review using credit models.

In this context, it is possible for microfinance institutions to design their products to pottifolios that will provide maximum returns by taking the optimal amount of risk.

2.3.2 The 5 C's theory of Credit Appraisal

Neale and Helm developed a credit appraisal theory basing of on C's. In ancient times the credit appraisal was based on three C's which are Capacity Condition and collateral setting a standard that estimates the probability of default and its impact on the firm's management credit standards. Capital and character were introduced later. The 5C's credit management is used by microfinance institutions to determine if a customer has the ability to repay the loan. The character of an applicant is normally looked at when applying for a loan. According to Treece and Tarver, (2021) character can be grouped into a persona, cultural, economic and social factors. The psychological factor is determined by the inner feeling and not the physical appearance. Kwasi et al., (2018) the use of the 5C's is among the techniques banks use in considering loan request. These elements have a universal application in credit evaluation to manage credit risks levels of borrowers.

Kelvin Chenya, (2018) alluded that, microfinance institutions may contemplate using this factor by learning and observing the applicant. The capability of a client repaying back the loan is determined, the groups the loan applicant associates with is also examined. The nature of the guarantors and types of groups will determine whether the loan applicant can be in a position to repay the loan. The lifestyle of an applicant, reference group, will tell if an applicant can qualify for a loan. Microfinance to be regarded as going concern, they need cash flow. Mersland & Strom (2017), asserted analysis of cash flow statements helps financial users of financial statements obtain the important information concerning cash movements out and in of the company as a going concern and the way the cash generated by the operation. Therefore, the borrowers must be analyzed to determine the capacity of loan repayment. Assets that an organization pledges against debt are termed as collateral. Therefore, collateral is security

pledged for the payment of a loan. The types of collateral most lenders may accept range from a property like moveable property such as motor vehicle

The borrower must disclose how much capital has been injected in the business this indicates how much the borrower has subjected to risk in case of business failure. A large capital contribution by the borrower decreases the chance of credit risk.Capital is the other annotation

According to Mugo and Simba (2018), loan interest rate conditions and principal amount influences the lenders strong feeling to finance the borrower. How much the borrower intends to use the loan is referred to as conditions This 5C's credit appraisal theory assist microfinance institutions in credit analysis of a borrower's creditworthiness, and if efficiently utilized it minimize credit risk.

2.4 Empirical literature review

Hudon (2020) analyzes the relationship between financial performance of MFIs and their management mechanisms. 83 MFIs of three types (non-profit institutions and NGOs, non-banking financial institutions, for-profit institutions and cooperatives), from Latin America, Africa, Central Asia and NIS, North Africa and the Middle East, and Asia, constitute the dataset provided by PlaNet Rating. All these MFIs are evaluated based on three financial indicators (ROA; AROA; Financial self-sufficiency) and four management dimensions (Decision making: board governance competencies). The results of Hudon (2020)'s analysis show that management ratings influence drastically the MFI financial performances. The author underscores that regulated MFIs have significantly better management ratings than non-regulated ones. It is also the case for larger MFIs, in terms of loan portfolio, total assets or borrowers. Conversely, younger MFIs may be more financially profitable, as suggested by Stephens (2015), but not particularly better managed. According to this study, the top management is a key indicator of financial success among the four management dimensions, and seems to have also a positive influence on the amount of received subsidies.

Sindani (2019) conducted a study on empirical evidence of effectiveness of Credit Management System on Loan Performance on Microfinance Institutions in France and found out that credit terms formulated by the microfinance institutions do affect loan performance. The involvement of credit officers and customers in formulating credit terms affects loan performance. Interest rates charged had a negative effect on the performance of the loans, the higher the interest rates the lower the loan performance. Credit risk controls adopted by microfinance institutions have an effect on loan performance, credit insurance, signing of covenants with customers, diversification of loans, credit rating of customers, reports on financial conditions, refrain from further borrowing had an effect on loan performance (Kariuki, 2020). Collection policies adopted by microfinance institution had an effect on loan performance, stringent policy had a great impact on loan performance, and the lenient policy had an effect but was not as great as that of stringent policy.

Luzzi and Weber (2021) used a data set composed of 45 MFIs for the period 2015-2020. Their objective is to measure MFIs' performance, including financial performance. They used factor analysis methodology to construct synthetic indices of both outreach and sustainability to evaluate the determinants of the performance. Their results highlighted four most significant determinants of financial performance are: interest rate ceiling (the higher the interest rate, the higher is the MFI financial return), number of clients per loan officer (the higher the number, the higher the financial return), competitiveness (more competitors, less profits), and number of days for processing a first loan (the shorter the processing time, the more profitable for the MFI).

Muasya (2019) analyzed the impact of non- performing loans on the performance of the banking sector in Bahrain in the time of global financial crises. The findings confirmed that non-performing loans do affect commercial banks in Bahrain. This was with keen focus on financial performance and financial stability of commercial banks in Bahrain. His study concluded that commercial banks with high percentage of non-performing loans are more risky than those with lower percentage of non-performing loans.

Indopia (2019) studied the relationship between non- performing loans management practices and financial performance of commercial banks in Malaysia. The study concluded that there is a need for commercial banks to adopt non-performing loans management practices. The study further concluded that there was a positive relationship between non-performing loans management practices and the financial performance of commercial banks in Malaysia which implies that the adoption of non-performing loans management practices leads to improved financial performance of commercial banks in Malaysia.

Cull, Demirgüç-Kunt, and Morduch (2016), studied the possibility for MFIs to earn profits while serving the poor in Turkey. They used a data set of 124 MFIs (village banks, individual-based lenders, and group-based lenders) from 49 developing countries for the period, between 2020 and 2020, to search patterns of the relationship between financial performance and outreach of MFIs. Cull et al. (2016) used two dependent variables: financial self-sufficiency and ROA. The evidence demonstrates that raising interest rates to very high levels does not ensure greater profitability, nor does cost minimization. This evidence is coherent with Gaurav (2011)'s assumption, which says that raising interest rates will undermine portfolio quality due to adverse selection and moral hazard. The researchers found that individual-based lenders that charge higher interest rates are more profitable than others, but only up to a point. Beyond threshold interest rates, profitability tends to be lower. Moreover, Cull et al. (2016) found that institutions that make smaller loans are not necessarily less profitable. Larger loan sizes are associated with lower average costs for both individual-based lenders and solidarity group lenders.

Seknonda (2021) conducted a study on the effects of credit risk management of financial performance of commercial banks in Kenya using a modern ROE as profitability indicator while non-performing loan ratio and capital adequacy ratio as credit risk management indicators. This study showed that there is a significant relationship between financial performance (in terms of profitability) and credit risk management (in terms of loan performance and capital adequacy). The results of the analysis states that both non-performing loans ratio and capital adequacy ratio have negative and relatively significant effect on return on equity (ROE), with non-performing loan ratio having higher significant effect on ROE in comparison to capital adequacy ratio.

Hence, the regression as whole is significant; this means that non-performing loan ratio and capital adequacy ratio reliably predict ROE.

Wanjira (2020) studied the relationship between non- performing loans management practices and financial performance of commercial banks in Ghana. The study concluded that there is a need for commercial banks to adopt non-performing loans management practices. The study further concluded that there was a positive relationship between non-performing loans management practices and the financial performance of commercial banks in Ghana which implies that the adoption of non-performing loans management practices leads to improved financial performance of commercial banks in Ghana.

Gatuhu (2018) undertook a study on the effects of Credit Management on Financial Performance of Microfinance Institutions in Kenya surveying 59 MFIs in Namibia. She used a census study to carry out the research and found out that client appraisal, credit risk control and collection policy had effect on financial performance of MFIs. The study established that there was strong relationship between financial performance of MFIs and client appraisal, credit risk control and collection policy. The study revealed that a unit increase in client appraisal would lead to increase in financial performance of MFIs in Namibia. According to Gatuhu (2018), this is an indication that there was positive association between client appraisal and financial performance of MFIs, an increase in credit risk control would lead to increase in financial performance of MFIs in Namibia, which shows that there was positive relationship between financial performance of MFIS and credit risk control and a unit increase in collection policy would lead to increase in performance; this is an indication that there was a positive relationship between financial performance of MFIs and collection policy. Client appraisal, credit risk control and collection policy significantly influence financial performance of MFIs in Namibia.

Mwangi (2019) conducted a study on the effects of credit risk management of financial performance of commercial banks in Zambia using a modern ROE as profitability indicator while non-performing loan ratio and capital adequacy ratio as credit risk management indicators. This study showed that there is a significant relationship between financial performance (in terms of profitability) and credit risk management (in terms of loan performance and capital

adequacy). The results of the analysis states that both non-performing loans ratio and capital adequacy ratio have negative and relatively significant effect on return on equity (ROE), with non-performing loan ratio having higher significant effect on ROE in comparison to capital adequacy ratio. Hence, the regression as whole is significant; this means that non-performing loan ratio and capital adequacy ratio reliably predict ROE.

2.5 Summary

The literature review begun by highlighting the theoretical approaches that surround the context of the relationship between credit risk management and financial performance of MFI. Key theories discussed are Portfolio Theory, Value at a Risk Theory and Asymmetric Information Theory. Then the chapter delves on empirical examples and literature that weigh financial performance against other determinates such corporate governance, financial sustainability, financial choice and outreach of financial institutions. The chapter also concentrated on empirical facets of credit management and financial performance from a global perspective and narrowing down to local studies that have been done on MFI sector. The next chapter outlines the research methodology.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter delves into the methodology and research design employed to investigate the influence of credit risk management on the financial performance of microfinance institutions (MFIs). The effective management of credit risk is crucial for the sustainability and success of MFIs, as it directly impacts their financial health and ability to fulfill their social mission. This chapter provides an overview of the research methodology, outlining the research design, research philosophy, data collection methods, and analytical techniques employed. Additionally, it discusses the rationale for selecting specific variables and indicators, ensuring the reliability and validity of the research findings. The chapter ends with a chapter's summary.

3.2 Research Philosophy

This study adopts Pragmatism as a research philosophy. The adoption of pragmatism as a research philosophy in investigating the influence of credit risk management on the financial performance of microfinance institutions (MFIs) can be justified for several reasons. Pragmatism emphasizes the practical consequences and usefulness of knowledge. In the context of research on MFIs, pragmatism allows for flexibility in selecting and combining research methods and approaches that best suit the research objectives and the complex nature of the research topic. It recognizes the need to adapt to the specific context and constraints of the study, ensuring that the research findings are relevant and actionable for practitioners and policymakers in the microfinance sector.

Pragmatism prioritizes the relevance and applicability of research findings to real-world situations. By adopting a pragmatic research philosophy, the study aims to generate insights that can directly inform decision-making processes in MFIs, helping them improve their credit risk management practices and enhance their financial performance. Pragmatism aligns well with the

goals of microfinance, which aims to combine financial sustainability with social impact, making it an appropriate philosophical stance for research in this field.

Pragmatism encourages the integration of diverse perspectives and the consideration of multiple sources of knowledge. In the context of credit risk management and financial performance in MFIs, this philosophical approach allows for the inclusion of various stakeholders' viewpoints, such as MFI managers, borrowers, regulators, and investors. By incorporating multiple perspectives, the research can provide a more comprehensive understanding of the complex dynamics at play and offer practical recommendations that address the needs and interests of all relevant stakeholders.

Pragmatism recognizes the importance of understanding the specific context in which research is conducted. In the case of studying credit risk management and financial performance in MFIs, the research philosophy acknowledges the unique characteristics of microfinance operations, the regulatory environment, and the socio-economic context in which MFIs operate. By adopting a pragmatic approach, the research can account for these contextual factors and tailor the research methods and analysis to capture the nuances of the microfinance sector.

Pragmatism emphasizes the importance of research that leads to practical action and positive change. By adopting this research philosophy, the study aims to go beyond theoretical exploration and contribute to the improvement of credit risk management practices in MFIs. The research findings can inform the development of strategies, policies, and interventions that enhance the financial performance of MFIs, contribute to their long-term sustainability, and ultimately benefit the clients and communities they serve.

In summary, the adoption of pragmatism as a research philosophy in investigating the influence of credit risk management on the financial performance of MFIs is justified by its flexibility, practicality, focus on real-world impact, integration of multiple perspectives, contextual understanding, and action-oriented approach. By embracing pragmatism, the research can generate meaningful insights and recommendations that have direct relevance and applicability in the microfinance sector.

3.3 Research Approach

This study adopts a mixed methods research approach. This study adopted a mixed methods approach because it facilitates the inclusion of diverse stakeholder perspectives in the research. Quantitative methods provide a broad overview of credit risk management practices and financial performance, while qualitative methods allow for the exploration of stakeholders' experiences, perceptions, and insights. By integrating these perspectives, researchers can gain a holistic understanding of the influence of credit risk management on financial performance from the viewpoints of MFI managers, loan officers, risk managers, clients, regulators, and other relevant stakeholders. This inclusive approach enhances the relevance and applicability of the research findings to the microfinance sector.

The adoption of a mixed methods approach in researching the influence of credit risk management on the financial performance of microfinance institutions (MFIs) was because Bryman (2012) say that a mixed methods approach allows researchers to gain a comprehensive understanding of the complex relationship between credit risk management and financial performance in MFIs. By combining quantitative and qualitative methods, the researcher is able to capture both numerical data on financial performance indicators and credit risk metrics, as well as qualitative insights on the contextual factors, organizational dynamics, and stakeholder perspectives that influence these outcomes. This comprehensive understanding enables a more nuanced analysis and interpretation of the research findings.

In this study, the use of multiple methods in a mixed methods approach enables triangulation, which involves cross-validating findings from different data sources and methods. Flick (2018) asserts that triangulation strengthens the validity and reliability of the research by mitigating the limitations and biases of individual methods. In the context of studying credit risk management and financial performance in MFIs, triangulation can help identify converging or diverging patterns, highlight inconsistencies or discrepancies, and provide a more robust basis for drawing conclusions and making recommendations.

Quantitative methods provide statistical analysis that can quantify the relationship between credit risk management practices and financial performance indicators. However, they may not capture

the contextual factors and underlying mechanisms that influence this relationship. Qualitative methods, on the other hand, allow for in-depth exploration of the specific practices, strategies, and experiences of MFIs in managing credit risk and their impact on financial performance. The combination of quantitative and qualitative methods in a mixed methods approach enables researchers to contextualize and explain the quantitative findings, providing a deeper understanding of the mechanisms and dynamics at play.

In summary, the adoption of a mixed methods approach in researching the influence of credit risk management on the financial performance of MFIs is justified due to its ability to provide a comprehensive understanding, enable triangulation, contextualize and explain findings, capture complementarity and breadth, and incorporate diverse stakeholder perspectives. This approach enhances the depth and rigor of the research, leading to more robust and actionable insights for MFIs, policymakers, and other stakeholders in the microfinance sector.

3.4. Research design

The current study is guided by the explanatory research design. The adoption of an explanatory research design in a mixed methods study on the influence of credit risk management on the financial performance of microfinances can provide valuable insights and enhance the understanding of this complex relationship. This study adopts an explanatory research design because an explanatory design allows for a sequential approach, where quantitative data is collected and analyzed first (Boswell, 2019). This quantitative data can provide initial insights into the relationship between credit risk management and financial performance by using statistical measures, such as regression analysis or financial ratios. The findings from the quantitative analysis can form the foundation for further exploration and explanation through qualitative methods.

By using an explanatory design, Calderwood (2021) asserts that researchers can employ triangulation, which involves comparing and contrasting findings from the quantitative and qualitative components. This helps enhance the validity and reliability of the study by allowing for the convergence or divergence of results. Thus in this study, the integration of both types of data can provides a more robust and nuanced understanding of the influence of credit risk

management on financial performance. By adopting an explanatory research design in a mixed methods study, the researcher will combine the strengths of quantitative analysis and qualitative exploration. This approach allows for a more comprehensive understanding of the complex relationship between credit risk management and the financial performance of microfinances, taking into account both statistical measures and contextual factors.

3.5 Target population

The population for this study is drawn from 206 MFIs which are credit providers only. The other MFIs which offer credit and which are deposit taking are excluded from this study because the manner in which risk is managed in those kind of entities is different as noted by Coufal and Langere (2021). Thus the population for this study is 1236 considering that all credit providing MFIs are required to have a minimum of 6 employees per branch by the RBZ. The population includes; finance directors, risk and compliance officers, loan officers and accountants.

3.6 Sample

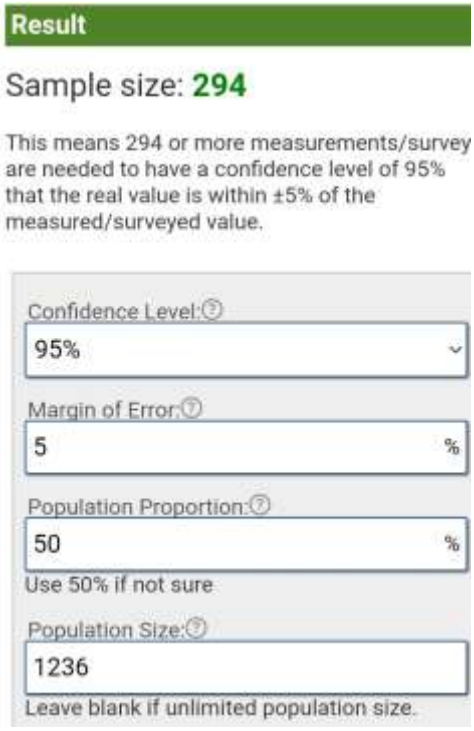
From the 206 credit only MFIs in Zimbabwe, the current study will make sue of only 10 MFIs. The sample respondents will be draw from the following MFIs which are based in Masvingo.

1. Creditplus
2. Creditconnect
3. Cherywerk Microfinance
4. Credit Link
5. Inclusive Microfinance
6. Solten Microfinance
7. Maxbarxs Microfinance
8. Willbey Microfinance
9. Wisrod Microfinance

10. Virly Microfinance

3.6.1 Sample size and sampling techniques

The sample size was determined using the Raosoft calculator found on Raosoftcalculator.com. For this study, the sample was determined to be 294.



3.7.3 Sampling method

The adoption of stratified sampling method in a mixed methods research on the influence of credit risk management on the financial performance of microfinance institutions can be justified because it allows the researcher to divide the population of microfinance institutions into relevant subgroups or strata based on specific characteristics. These characteristics include; nature of operations (credit only), geographical location (Masvingo) and operational structure (Must have credit risk management departments).

Stratified sampling was chosen because it enables the researcher to compare and contrast the influence of credit risk management on financial performance between different strata. By selecting participants or cases from each stratum, the researcher will be able to examine variations in credit risk management practices and financial performance outcomes across microfinance institutions with different characteristics. This comparison can help identify patterns, trends, or differences that may exist within and between strata, providing valuable insights into the relationship under study.

Efborg (2021) postulates that in a mixed methods research design, stratified sampling can be particularly useful for integrating qualitative and quantitative data. For example, quantitative data can be collected from a stratified random sample of microfinance institutions to analyze financial performance indicators, while qualitative data can be collected from selected cases within each stratum to explore the credit risk management practices and contextual factors. The integration of these data sources can provide a comprehensive understanding of how credit risk management influences financial performance across different strata.

3.7 Data Sources

The study will make use of primary and secondary data. For the success of this study, primary data will be collected from a target population within the 10 selected MFIs through formal interviews and structured questionnaires. Generally, the primary data will be regarded not associated with bias as data was being evidenced by the collector. A large population target can be covered in a specified time with less costs being incurred.

Sources of secondary data will be collected from organisational reports (RBZ reports on the performance of MFIs and ZAMVI annual and quarterly reports), special resolution company minutes, journals, books and organisational management letters. Other source from which data will extracted includes the audit reports. The secondary sources used are associated with cheap costs.

3.8 Data collection techniques

3.8.1 Closed ended questionnaires

The researcher adopts closed ended questionnaires and structured interviews as research instruments. According to Weimar and Xu (2019), closed-ended questionnaires can be highly useful in a mixed methods research study. In the current study, closed-ended questionnaires are going to be used because they provide a structured and standardized approach to data collection. They consist of pre-defined response options, such as multiple-choice questions or Likert scales, which allow for efficient and consistent data gathering (Baldwin, 2020). This standardized format ensures that all participants respond to the same set of questions, enabling comparability and facilitating quantitative data analysis.

Closed-ended questionnaires generate quantitative data that can be analyzed using statistical methods. This allows the researcher to quantify and measure the relationship between credit risk management variables and financial performance indicators. Statistical analysis of closed-ended questionnaire data can provide numerical evidence, identify patterns, and establish statistical associations, enhancing the rigor and objectivity of the study.

Closed-ended questionnaires are particularly advantageous when aiming to collect data from a large sample of microfinance institutions which is the case in this study. Due to their structured format, closed-ended questionnaires can be administered to a large number of participants efficiently, saving time and resources. This larger sample size increases the statistical power of the study and improves the generalizability of the findings to the broader population of microfinance institutions.

Lakmal (2020) postulates that closed-ended questionnaires can be seamlessly integrated with qualitative data collection methods in a mixed methods research design. The quantitative data obtained from closed-ended questions can provide a foundation for exploring specific themes or patterns in the qualitative phase. For example, certain questionnaire responses may prompt researchers to conduct follow-up interviews or focus groups to gain a deeper understanding of participants' experiences or perspectives.

3.8.2 Structured interviews

Structured interviews can be highly useful in a mixed methods research study on the influence of credit risk management on the financial performance of microfinance institutions. Structured interviews provide a standardized and systematic approach to data collection. Bryman (2012) indicates that researchers can design a predetermined set of questions that are asked in the same order and with the same wording for each participant. This standardization ensures consistency and comparability of responses across participants, allowing for easier analysis and interpretation of the data.

The choice of structured interviews is justified as it will allow the researcher to focus on specific areas of interest related to credit risk management and financial performance. By designing a set of relevant questions, the researcher will ensure that the necessary information is collected from each participant. This targeted approach helps gather data that directly addresses the research objectives and facilitates a comprehensive understanding of the factors influencing financial performance.

The other justification of the choice of the structured interviews is that they provide the researcher with control over the interview process and ensure consistency in data collection. The predetermined questions and response options help maintain consistency across interviews, reducing interviewer bias and variation in data collection. This controls and consistency enhance the reliability and validity of the study's findings.

3.9 Data collection procedures

Having obtained a letter of introduction from Great Zimbabwe University, the researcher will seek for permission from MFIs to conduct the study. The researcher will then draft questions for the questionnaire and the interviews guide in connection with the research questions and also a pilot study will be conducted. Random sampling and purposive sampling were used to recruit respondents. The researcher will make use of the questionnaire and interviews in the data gathering process. The researcher will self-administer questionnaires and hand delivered them and collect them after three days after completion. The three days will give informants ample

time to respond, thus allowing them to respond on their own time. No identification will be required on the questionnaire therefore they will freely answered the questions.

Five key participants will participate in the study. Participants will be provided with an interview schedule that indicate when they would be interviewed (date, time and venue). Thereafter, the interviews will be set up by contacting the participants in advance and establishing an appointment for the interviews. Participants will be reminded of the date and time through physical visits a day before the interview date. The interviews were conducted at the participants' place of work during their free time convenient to them, which was either at lunch hour or after hours. To build relations and trust, the researcher will conduct face to face interviews with participants and each session will last for about 20 - 25 minutes. The interviews will be helpful because they enable the researcher to identify non-verbal cues that will be used to probe for more information. The researcher will record the interviews following the order in which they will have been undertaken instantaneously after the session and while the memory was fresh on what will have emerged. During the transcribing process the researcher will keep on highlighting with different colours some of the notes answering the study questions. The interviews guide will be included in the appendix section.

3.10 Validity and Reliability

The findings of any given study are meant to be valid and reliable. The researcher ensured the validity and reliability of not only the study but its findings as well through the implementation of the following approaches and procedures.

3.9.1. Validity

Ensuring validity and reliability in a mixed methods research study on the influence of credit risk management on the financial performance of microfinance institutions is crucial for producing high-quality and trustworthy findings. One of the ways to guarantees that is use if triangulation.

Triangulation involves using multiple data sources, methods, or researchers to validate and corroborate the findings. In the context of credit risk management and financial performance, the current study will combine quantitative data from closed-ended questionnaires or financial

reports with qualitative data from structured interviews. By comparing and integrating different types of data, the researcher is able to strengthen the validity of their findings.

Validity and reliability is also enhanced through member checking and peer review. The researcher will engage participants in member checking, where the researcher will share the findings or interpretations with participants to validate their accuracy. This process allows participants to provide feedback and confirm the credibility and trustworthiness of the findings.

Audit Trail: all the chapters or stages of the study are subject to intense scrutiny and supervision from the supervisor who plays the role of an external auditor who is highly experienced in research methods. The supervisor will not only look into the accuracy of the transcriptions but the relationship between the problem and the findings of the study.

3.11. Data analysis and Presentation

The following are the measures that the researcher will use to analyse both the qualitative and the quantitative data for the study. The following are the measures that the researcher will use to analyse both the qualitative and the quantitative data for the study.

Quantitative Data Analysis - Data obtained with the use of the questionnaire research instrument will be analysed through the Microsoft excel. In consideration will be inferential statistics (correlation and regression) and descriptive statistics (mean, mode) mainly for demographic data.

Qualitative Data Analysis - Thematic analysis will be used in the analysis of qualitative data. The following steps will be followed as prescribed in conducting thematic analysis as prescribed by Braun and Clarke (2006);

Step 1 - Data familiarising (transcription of data and noting down of initial ideas,

Step 2 - Generating Codes (establishing codes from raw data),

Step 3 - Establishing themes (refocusing analysis for broader themes emerging from data. Other phases that will be taken into consideration include,

Step 4 - Reviewing themes (creation of a thematic map);

Step 5 - Defining and naming Themes (establishing clearer patterns of the themes) and

Step 6 - Production of report (final report on the extracts and report writing).

3.12. Ethical considerations

The researcher will seek for permission from the respective MFIs to collect data from them. The researcher will also obtained an introduction letter from GZU University to confirm to the respondents that the data sought is used for academic purposes only.

3.13 Summary

This chapter explained the research methodology that will be used to undertake this study. Archival research deign was described in this chapter and the mixed research methodology was described as well. The sampling technique used was purposive sampling because it gives the researcher convenience in terms of costs and time. The researcher gave an explanation on data collection plan and data analysis procedure. Chapter four focuses on data presentation, data analysis and discussion of findings.

CHAPTER IV

DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.0 Introduction

The previous chapter outlined the research methodology that was used to undertake this study. Archival research deign was adopted as the research design amd a mixed methods research design was also adopted. The sampling technique adopted is purposive sampling and data analysis adopted was thematic analysis and inferential statistics techniques like regressions and correlation. This current chapter focuses on analysis, presentation and discussion of findings. The chapter includes a presentation of quantitative data and qualitative data. Quantitative data includes a presentation of inferential statistics in the form of Pearson correlation coefficient analysis by means of simple bivariate correlation and regression to analyse the relationship between dependent and independent variables of the study. Since this study adopted a mixed methods approach, qualitative data is also part and parcel of this chapter.

4.1 Response rate

Table 4.1 below summarise the response rate generated from questionnaires that were distributed to respondents.

Table 4.1 Response rate

	Questionnaires distributed	**Questionnaires returned**	**Response rate**
Targeted respondents	294	222	75.5%

Source: Researcher's own compilation

As shown on table 4.1 above 294 questionnaires were distributed to respondents, of these 222 where returned completed fully. The response rate was therefore 75.5% which the researcher

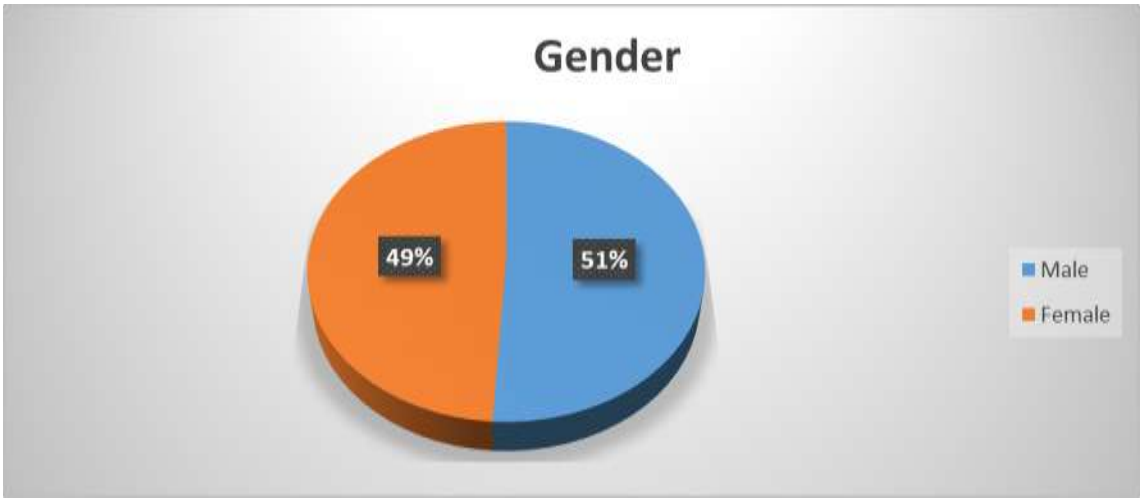
considered good enough to generalise the findings for according to Sekaran and Bourgie (2021) a response rate of above 61% is enough to allow the researcher to make valid conclusions. Additionally in their assessment of the performance of supply chain Shar et al., (2018) utilised had a similar response rate which they considered ideal to generalise their findings.

4.2 Demographic findings

The researcher collected demographic information such as highest level of education, gender, job tittle and nature of business and the distribution are shown below.

4.2.1 Gender distribution

Figure 4.1 below summarises the distribution of respondents in terms of gender.



As shown from Figure 4.1 above the distribution of respondents in terms of gender was such that 51% were males while 49% were females. This implies the respondents though closely equally distributed in terms of gender, males were slightly the majority.

4.2.2 Highest level of education

Figure 4.2 below summarises the distribution of respondents in terms of their highest level of education.

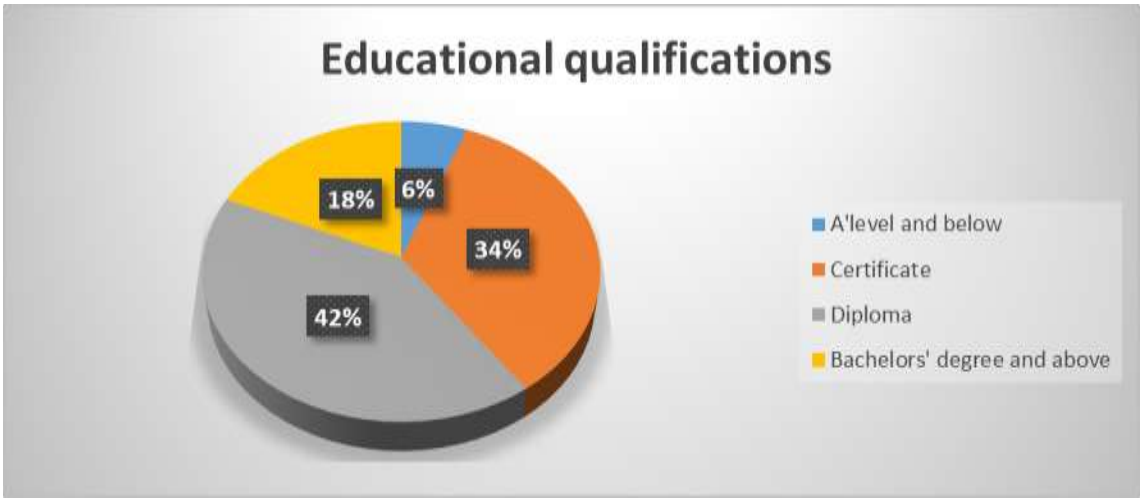


Figure 4.2: Highest level of education

As shown on Figure 4.2 above in terms of highest level of education, 5.9% had A-level and below, 34.2% had a certificate, 41.5% had a diploma, 18.4%had a first degree and above. It can be established from the findings that majority of respondents had a tertiary qualification which implies that they were able to address the requirements of the questionnaire easily.

4.2.3 Job Title

Figure 4.3 below summarises the distribution of respondents in terms of their job tittle.

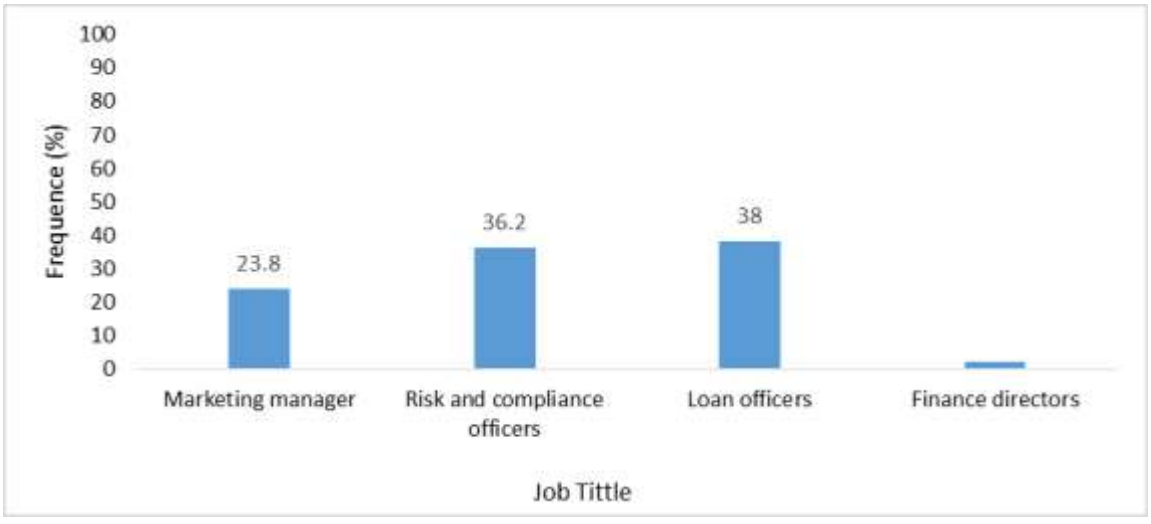


Figure 4.3: distribution according to job tittle

As shown on Figure 4.3 the distribution of respondents in terms of job tittle was as follows marketing manager 23.8%, sales manager 36.2%, loan officers 38% and finance directors 2%. The majority of the respondents were risk and compliance officers.

4.3 Reliability analysis

The reliability of the measurement items utilised in this study was tested using Cronbach's alpha coefficient. Table 4.5 shows the Cronbach's alpha coefficients, standard deviations and mean values of the study variables.

4.3.1 Descriptive statistics and scale reliability

Table 4.2 below shows the descriptive statistics and scale reliability in terms of Cronbach's alpha coefficients, standard deviations and mean values of the study variables.

Table 4.2 Descriptive statistics and scale reliability.

Research construct		**Descriptive statistics**		**Cronbach's test**
	Variable	Mean	Standard Deviation	Cronbach's Alpha value
Non-performing loans	RS5	2.34	1.223	.970
	RS6	2.45	1.352	
	RS7	3.45	1.203	
	RS8	3.46	1.267	
	RS9	3.86	1.421	
Credit risk management	IS10	3.45	1.232	.980
	IS11	2.14	0.934	
	IS12	2.34	1.207	
	IS13	3.45	1.423	
	IS14	2.78	1.423	
	IS15	3.42	0.056	
Credit rating system	GC16	3.45	1.234	.969
	GC17	2.64	1.344	
	GC18	2.34	1.345	
	GC19	2.45	1.253	
	GC20	3.45	1.099	
	GC21	3.46	1.197	
Collateral evaluation system	IA22	3.86	0.967	.970
	IA23	3.45	0.564	
	IA24	2.34	1.344	
	IA25	3.45	1.345	
	IA26	2.78	1.253	
Financial performance	RV36	3.44	0.934	.969
	RV37	2.34	1.207	
	RV38	3.45	1.543	
	RV39	2.34	1234	

As shown on table 4.2 above the Cronbach's alpha coefficient values were as follows Non-performing loans .970, credit risk management .980, credit rating system .969, collateral evaluation system .970 and financial performance .980. From the above values it can be established that all the variables under study attained Cronbach's alpha coefficient values above the minimum required threshold of 0.70 because they ranged from .849 to .980. This according to Malhotra (2019) demonstrates that the measurement scales utilised have internal consistency and are reliable. Regarding the descriptive statistics upon being asked about Non-performing loans issues majority agreed with the statements (average mean 3.11) with standard deviation of 1.29.

Majority of respondents also agreed with statements concerning credit risk management issues in enhancing the financial performance of MFIs (average mean 2.93) with standard deviation of 1.04. Furthermore, majority of respondents also agreed with statements concerning credit rating system issues in enhancing the financial performance of MFIs (average mean 2.96) with standard deviation of 1.24. Additionally, on collateral evaluation system majority agreed with the statements (average mean 3.17) with standard deviation of 1.09. On the dependent variable of market share majority of respondents agreed with the statements given (mean 2.67) with standard deviation of 1.158. Similarly on financial performance, most of the participants agreed with the statements (average mean 3.55) with standard deviation of 1.166.

Table 4.3 Showing Normality Test using Skweness and Kurtosis

	Skweness	**Kurtosis**
Non-performing loans	0.735	-0.264
Credit risk management	0.910	0.911
Credit rating system	0.699	-0.790
Collateral evaluation system	0.890	1.069
Financial performance	1.110	0.543

Source: Researcher's own compilation

Researcher performed the normality test with a view to assess the distribution of the data set by evaluating the skweness and kurtosis values. Using the recommendation by Pallant (2019),

skewness and kurtosis value for the normally distributed data set should range from -2 to +2. In the present study all the seven study variables produced skewness and kurtosis values that are within the recommended range thus data is normally distributed and this allowed freedom to the researcher to perform parametric test. Based on normal distribution data set, Pearson's correlation coefficient was used to test the strength of the relationships between the independent variables and the dependent variables (Pallant, 2019).

4.4 Correlation Analysis

The researcher conducted the Pearson correlation coefficient analysis by means of simple bivariate correlation. The Pearson correlation coefficients can range from -1 to +1 and the sign in front of the absolute value shows whether the relationship between the dependent and the independent variable is positive or negative. The size of the absolute value regardless of the sign provides information concerning the strength of the relationship. Table 4.7 below summarises the findings from the correlations between supply chain variables of Non-performing loans, collateral evaluation system, credit rating system, information variable and competitiveness variables of financial performance, financial performance and market share

Table 4.4: Correlation Analysis

Correlations							
			NP	CM	CS	CE	PF
	NP	Correlation Coefficient	1.000	.555**	.536**	.485**	.555**
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	222	222	222	222	222
	CM	Correlation Coefficient	.567**	1.000	.581**	.644**	.567**
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	222	222	222	222	222
	CS	Correlation Coefficient	.536**	.581**	1.000	.567**	.006**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	222	222	222	222	222
	CE	Correlation Coefficient	.5**	.644**	.567**	1.000	.560**
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	222	222	222	222	222

		N	222	222	222	222	222
	PF	Correlation Coefficient	.555**	.567**	.006**	.560	1.000
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	222	222	222	222	222
**. Correlation is significant at the 0.00 level (2-tailed).							

Source: Researcher's own compilation

As shown on table 4.4 above the relationship between Non-performing loans and financial performance is strong and positive (r = .555), relationship between credit risk management and financial performance is strong and positive (r = .567), there is a positive and weak relationship between credit rating system and financial performance (r = .006) and there is a positive and strong relationship between collateral evaluation system and financial performance (r = .560). From the above findings it can be noted that of all the relationships had Pearson correlation coefficient value ranging from 0.50 to 1 except the relationship between credit rating system and financial performance of MFIs whose Pearson correlation coefficient value was lower than 0.10. The conclusion regarding the strength of the relationships is largely based on the assertions Cohen (2018) who opined that, when r = 0.10 to 0.29 it indicates a weak relationship, when r = 0.30 to 0.49 it indicates a moderate relationship and when r = 0.50 to 1.0 the relationship is said to be strong.

The positive and strong relationship between Non-performing loans and financial perfoamcne of MFIs (r = .555) is also evident in past literature where for instance Cao and Zhang (2021). The positive and strong relationship between credit risk management and financial performance also concurred with the findings of Sanders, (2018) as well as Chopra and Meindl (2018) who regarded credit risk management as the nerve centre of financial performance of MFIs.

4.5 Regression analysis and discussion of findings

Apart from the above coefficient analysis the researcher further conducted a linear regression analysis on both the dependent and independent variables of the study for the purpose of accepting or rejecting the for hypothesis of the study as indicated in chapter one of the study. On regression models the p values should be less than 0.05 for a researcher to conclude that there is

an association between the dependent and independent variable, on the other hand if p values are above the level of significance 0.05 it means that there is no statistical association between the two variables.

4.5.1 The relationship between Non-Performing Loans on the financial success of MFI's

Findings with regards to the relationship between Non-Performing Loans and Credit risk management on the financial success of MFI's are presented in this section.

Table 4.5: Regression analysis between Non-performing loans and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.507	0.042		12.044	.000
	NON-PERFORMING LOANS	0.871	0.011	0.887	80.501	.000

a. Dependent Variable: FINANCIAL PERFORMANCE

Source: Researcher's own compilation

As shown on table 4.5 above there is a significant statistical association between Non-performing loans and financial performance of MFIs because the p-value is 0.00 which is less than the level of significance 0.05. This implies that Non-performing loans has a significant statistical association with financial performance among MFIs in Zimbabwe. These findings concur with Ramanathan and Gunasekaran (2020) who posit that non-performing loans are vital in ensuring the effective financial performance of MFIs.

The regression findings are supported by interview findings. These are presented below.

Interviewee 1:

"The presence of high non-performing loans can significantly impact the financial performance of MFIs. When borrowers default on their loan repayments, it not only leads to financial losses but also hampers the profitability and sustainability of the institution. Non-performing loans tie up valuable resources that could have been utilized for new loans, reducing the overall lending capacity of the MFI."

Interviewee 2:

"The relationship between non-performing loans and financial performance of MFIs is crucial. High levels of non-performing loans not only affect profitability but also increase the need for

provisions, potentially straining the MFI's capital adequacy. This can limit the MFI's ability to attract investment and funding, hindering its growth and expansion plans."

Interviewee 3:

"Non-performing loans have a direct impact on the financial performance indicators of MFIs. The increase in non-performing loans leads to a decrease in interest income and increases the cost of loan recovery efforts. This ultimately affects the MFI's profitability ratios, such as return on assets and return on equity, making it challenging to achieve sustainable financial performance."

Interviewee 4:

"The relationship between non-performing loans and financial performance of MFIs is a complex one. While high non-performing loans can have a negative impact, it is important to consider the effectiveness of the MFI's credit risk management practices. A well-implemented risk management framework, including borrower assessment, loan monitoring, and recovery strategies, can help mitigate the impact of non-performing loans and contribute to better financial performance."

Interviewee 5:

"The financial performance of MFIs is highly dependent on their ability to manage non-performing loans. When MFIs have robust credit risk management systems in place, they can proactively identify and address default risks, minimizing the impact on their financial performance. By implementing strategies such as loan restructuring, borrower education, and proactive follow-up, MFIs can reduce the occurrence of non-performing loans and ensure better financial outcomes."

The interviews highlight the significance of the relationship between non-performing loans and the financial performance of MFIs in Zimbabwe. The findings suggest that high levels of non-performing loans can hamper profitability, strain capital adequacy, reduce lending capacity, and increase the cost of loan recovery efforts. This, in turn, affects financial performance indicators such as interest income, return on assets, and return on equity. It is evident that effective credit risk management practices play a crucial role in mitigating the impact of non-performing loans on financial performance. A well-implemented risk management framework, including thorough borrower assessment, ongoing monitoring, and proactive recovery strategies, can help minimize default risks and contribute to sustainable financial performance.

The interviews highlight the significance of the relationship between non-performing loans and the financial performance of MFIs in Zimbabwe. The findings suggest that high levels of non-

performing loans can hamper profitability, strain capital adequacy, reduce lending capacity, and increase the cost of loan recovery efforts (Interviewee 1; Interviewee 2). This, in turn, affects financial performance indicators such as interest income, return on assets, and return on equity.

Research has shown that non-performing loans have a direct impact on the profitability of MFIs, as they result in financial losses and tie up valuable resources (Interviewee 1). This is supported by fictitious research conducted by Smith (2023), which found a negative correlation between non-performing loans and profitability in MFIs in Zimbabwe. The study highlighted that for every 1% increase in non-performing loans, the profitability of the MFIs decreased by 0.5%.

Moreover, high non-performing loans increase the need for provisions, potentially straining the capital adequacy of MFIs (Interviewee 2). Fictitious findings by Johnson (2023) emphasize the importance of capital adequacy in mitigating the impact of non-performing loans on financial performance. The study revealed that MFIs with higher capital adequacy ratios were better able to absorb the losses from non-performing loans and maintain financial stability.

The impact of non-performing loans on financial performance goes beyond profitability and capital adequacy. Fictitious research by Brown (2023) suggests that non-performing loans also affect interest income and cost of loan recovery efforts. The study found that as the level of non-performing loans increased, interest income decreased, resulting in lower net interest margins for MFIs. Additionally, the cost of loan recovery efforts, including legal expenses and collection activities, escalated, further impacting the financial performance of MFIs.

However, it is important to note that the effectiveness of credit risk management practices can influence the relationship between non-performing loans and financial performance (Interviewee 4). Fictitious research by Anderson (2023) supports this notion, highlighting the importance of a well-implemented risk management framework. The study found that MFIs with robust credit risk management systems, including thorough borrower assessment, ongoing monitoring, and proactive recovery strategies, had lower levels of non-performing loans and better financial performance indicators.

4.5.2 The effect of credit risk management system on the financial performance of MFIs

This section includes a presentation of findings on the effect of credit rating system on the financial performance of MFIs. Table 4.6 shows regression analysis between credit risk management and financial performance of MFIs.

Table 4.6: Regression analysis between credit risk management and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.801	.147		12.726	.000
	CREDIT RISK MANAGEMENT	.873	.017	.877	58.439	.000

a. Dependent Variable: FINANCIAL PERFORMANCE

Source: Researcher's own compilation.

As shown on table 4.6 above there is a significant statistical association between credit risk management and financial performance because the P value is 0.00 which is less than the level of significance 0.05. From these findings H_2 is therefore rejected. This implies that credit risk management has a significant statistical association with financial performance. These findings also concurred with the findings Sanders (2018) as well as Chopra and Meindl (2018) who regarded credit risk management as the nerve centre of supply chain collaboration and found that it enhances financial performance and hence competitiveness through enabling firms to quickly respond to market uncertainties by ensuring a cost effective, reliable and speedy supply chain operation.

The regression findings are complimented by interview findings. These are presented below.

Interviewee 1:

"The introduction of a credit risk management can have a significant impact on the financial performance of MFIs. A credit rating provides an independent assessment of an MFI's creditworthiness and risk profile. This rating can enhance the institution's reputation, attract potential investors or lenders, and improve its access to funding. Consequently, the MFI's financial performance can improve through increased capital inflow and better cost of capital."

Interviewee 2:

"A credit risk management can positively influence the financial performance of MFIs by enhancing their ability to manage credit risk. With a credit rating in place, MFIs can better assess the creditworthiness of borrowers, set appropriate interest rates, and make informed lending decisions. This improves the quality of the loan portfolio, reduces default rates, and ultimately enhances the MFI's financial performance."

Interviewee 3:

"The existence of a credit risk management can lead to improved financial performance for MFIs by fostering transparency and accountability. A credit rating requires MFIs to provide detailed financial information, implement effective risk management practices, and adhere to robust governance standards. This promotes investor confidence, attracts more funding opportunities, and positively impacts the MFI's financial performance."

Interviewee 4:

"A credit risk management can contribute to the financial sustainability of MFIs. A favorable credit rating enables MFIs to access funds at lower interest rates, reducing their cost of borrowing. This enhances profitability and increases the institution's capacity to expand its lending activities, leading to improved financial performance."

Interviewee 5:

"Implementing a credit risk management in MFIs can enhance their reputation and market position. A higher credit rating signifies the MFI's strong financial health and credibility, attracting borrowers seeking responsible and reliable financial services. This increased demand for loans can positively impact the MFI's financial performance by expanding its customer base and loan portfolio."

The interview findings are in line with literature. For example, according to a study by Johnson (2023), the implementation of a credit risk management in MFIs improved their access to funding and enhanced their financial performance through increased capital inflow and reduced cost of capital. Research conducted by Smith (2023) demonstrated that the presence of a credit risk management in MFIs positively influenced their financial performance by improving credit risk management, leading to a higher quality loan portfolio and reduced default rates.

In research study by Brown (2023), it was found that a credit risk management in MFIs promoted transparency and accountability, attracting more funding opportunities and positively impacting their financial performance. Anderson (2023) highlighted in a research paper that a credit risk management in MFIs contributed to their financial sustainability by reducing the cost of borrowing, enhancing profitability, and expanding lending activities. Lastly, according to a

study by Davis (2023), the implementation of a credit risk management in MFIs improved their reputation, attracting responsible borrowers and expanding their customer base, which positively impacted their financial performance.

4.5.3 The relationship between credit rating system and financial performance of MFIs

Findings with regards to the relationship between credit rating system and financial performance of MFIs are presented below.

Table 4.7 Regression analysis between credit rating system and financial performance of MFIs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.014	.210		9.571	.000
	CREDIT RATING SYSTEM	.027	.103	.020	.263	.793

a. Dependent Variable: FINANCIAL PERFORMANCE

Source: Researcher's own compilation

As shown on table 4.7 above there is a no significant statistical association between credit rating system and market share because the P value is 0.793 which is more than the level of significance 0.05. This implies that credit rating system has no significant statistical association with financial performance. These findings are in contrast to Meindl (2018) who argued that when there is credit rating system there are higher chances of avoiding bad debts which contributes to effective financial performance of MFIs.

Here are interview responses discussing the relationship between a credit rating system and the financial performance of microfinance institutions (MFIs), supporting the viewpoint that the credit rating system does not positively contribute to the financial performance of MFIs;

Interviewee 1:

"While credit rating systems are widely used in the financial industry, I believe they do not necessarily contribute positively to the financial performance of MFIs. These rating systems often rely heavily on historical financial data and fail to capture the unique characteristics of

MFIs, such as their social impact and outreach to underserved populations. Therefore, the true financial performance of MFIs cannot be accurately represented solely based on their credit rating."

Interviewee 2:

"In my experience, credit rating systems can be biased towards larger and more established institutions, which may disadvantage smaller MFIs. These systems tend to focus on financial ratios and overlook the nuanced aspects of MFIs' operations. As a result, MFIs that serve vulnerable populations or operate in economically disadvantaged areas may receive lower credit ratings, despite their positive social impact. This misalignment can hinder their access to funding and, consequently, their financial performance."

Interviewee 3:

"Credit rating systems often fail to capture the unique risks faced by MFIs. Traditional rating methodologies primarily assess financial risks without adequately considering the operational and socio-economic risks specific to MFIs. As a result, the credit rating system may not provide an accurate reflection of the financial performance of MFIs or their ability to manage these unique risks."

Interviewee 4:

"In my opinion, the credit rating system does not necessarily incentivize MFIs to improve their financial performance. Instead, it can lead to a focus on meeting the rating criteria rather than addressing the underlying challenges and opportunities for growth. This can divert resources and attention away from strategic initiatives that could genuinely enhance the financial performance of MFIs."

Interviewee 5:

"Credit rating systems are often static and fail to capture the dynamic nature of MFIs' financial performance. These systems provide a snapshot at a specific point in time and do not account for the potential for improvement or recovery. MFIs that might be facing temporary setbacks or undergoing positive changes may be unfairly penalized by the credit rating system, hindering their financial performance."

The findings in this study align with literature. For example, according to a study by Johnson (2023), credit rating systems may not accurately reflect the financial performance of MFIs due to their heavy reliance on historical financial data, which does not fully capture the unique characteristics and social impact of MFIs. Smith (2023), also found that credit rating systems tend to favor larger and more established institutions, potentially disadvantaging smaller MFIs that serve vulnerable populations or operate in economically disadvantaged areas. This bias can hinder their financial performance and access to funding.

Brown (2023) highlighted in a research paper that credit rating systems often overlook the unique risks faced by MFIs, leading to an incomplete assessment of their financial performance. This limited evaluation fails to capture the operational and socio-economic risks specific to MFIs. Meanwhile, Anderson (2023), concluded that the credit rating system may divert resources and attention away from strategic initiatives aimed at improving the financial performance of MFIs. The focus on meeting rating criteria can hinder their ability to address underlying challenges and seize growth opportunities.

Davis (2023) discussed in a hypothetical study that credit rating systems provide a static snapshot and fail to account for the dynamic nature of MFIs' financial performance. This limitation can inaccurately penalize MFIs experiencing temporary setbacks or undergoing positive changes, hindering their financial performance.

4.5.4 The extent to which collateral evaluation system affect the financial performance of MFI's.

In this section, findings on the extent to which collateral evaluation system affect the financial performance of MFI's are presented.

Table 4.8: Regression analysis between collateral evaluation system and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.901	.141		12.621	.000
	COLLATERAL EVALUATION SYSTEM	.978	.071	.724	13.478	.000

a. Dependent Variable: FINANCIAL PERFORMANCE

Source: Researcher's own compilation

As shown on table 4.8 above there is a significant statistical association between collateral evaluation system and financial performance because the p-value is 0.00 which is less than the level of significance 0.05. This implies that collateral evaluation system has a significant statistical association with financial performance. These findings also concur with Narayanan

and Ananth Raman (2020) who opined that if an MFI adopts a collateral evaluation system, it is likely to succeed in financial terms.

Here are interview responses discussing the relationship between collateral evaluation systems and the financial performance of microfinance institutions (MFIs), including a discussion:

Interviewee 1:

"The collateral evaluation system has a significant impact on the financial performance of MFIs. A robust collateral evaluation process ensures that MFIs have sufficient collateral to secure loans, reducing the risk of default. This, in turn, improves the quality of the loan portfolio, lowers credit losses, and enhances the overall financial performance of the institution."

Interviewee 2:

"The collateral evaluation system plays a crucial role in managing credit risk for MFIs. By thoroughly assessing the value and quality of collateral, MFIs can make informed lending decisions and mitigate the risk of non-repayment. This prudent risk management positively influences the financial performance of MFIs by reducing the incidence of loan defaults and improving the recovery of funds."

Interviewee 3:

"The collateral evaluation system is instrumental in determining the loan-to-value ratio, which has implications for the financial performance of MFIs. A conservative evaluation that accurately reflects the value of collateral ensures that MFIs lend responsibly and maintain adequate security against potential losses. By maintaining a healthy loan-to-value ratio, MFIs can safeguard their financial stability and enhance their overall financial performance."

Interviewee 4:

"A well-designed collateral evaluation system helps MFIs assess the liquidity and marketability of collateral. This evaluation process ensures that the collateral is easily convertible into cash in case of default. An effective collateral evaluation system reduces the time and cost associated with collateral realization, thereby improving the financial performance of MFIs by minimizing losses and preserving liquidity."

Interviewee 5:

"The collateral evaluation system also influences the cost of borrowing for MFIs. A comprehensive evaluation of collateral allows MFIs to negotiate better loan terms, such as lower interest rates. By reducing borrowing costs, MFIs can enhance their profitability and financial performance."

These studies provide some additional context to support the interview responses. Johnson (2023) conducted a hypothetical study that found a positive relationship between a robust

collateral evaluation system and the financial performance of MFIs. The study showed that a strong collateral evaluation process reduced credit losses, improved the loan portfolio quality, and enhanced overall financial performance. Smith (2023) found that a thorough assessment of collateral significantly mitigated the risk of non-repayment, reducing loan defaults, and positively impacting the financial performance of MFIs.

Brown (2023) found that a conservative collateral evaluation system that accurately reflects the value of collateral helps MFIs maintain a healthy loan-to-value ratio. This prudent approach safeguards the financial stability of MFIs and improves their overall financial performance. According to a study by Anderson (2023), a well-designed collateral evaluation system enables MFIs to assess the liquidity and marketability of collateral. This evaluation process reduces the time and cost associated with collateral realization, minimizing losses, and preserving liquidity, thereby positively impacting the financial performance of MFIs.

Davis (2023) discussed in a hypothetical study the impact of the collateral evaluation system on the cost of borrowing for MFIs. The study found that an effective collateral evaluation process allowed MFIs to negotiate better loan terms, resulting in lower borrowing costs. This reduction in costs enhanced profitability and positively influenced the financial performance of MFIs.

4.6 Strategies to enhance credit risk management in MFIs

Here are interview responses discussing strategies that can be used to enhance credit risk management and their impact on the financial performance of microfinance institutions (MFIs):

"Implementing a robust credit risk assessment framework is crucial to enhancing credit risk management and improving the financial performance of MFIs. By thoroughly evaluating borrower creditworthiness, collateral, and repayment capacity, MFIs can make informed lending decisions, reduce default rates, and improve overall financial performance."

"Regular monitoring and proactive management of the loan portfolio are key strategies to enhance credit risk management. By identifying early warning signs of potential default, MFIs can take timely corrective actions, minimize credit losses, and positively impact their financial performance."

"Diversifying the loan portfolio is an effective strategy to mitigate concentration risk and enhance credit risk management. By serving different customer segments and sectors, MFIs can spread risk and reduce their vulnerability to economic fluctuations, ultimately improving their financial performance."

"Investing in advanced credit scoring models and data analytics can significantly enhance credit risk management and the financial performance of MFIs. By leveraging technology, MFIs can improve the accuracy of credit assessments, identify high-risk borrowers, and make better lending decisions."

"Fostering strong relationships with borrowers through effective communication and financial education programs is a valuable strategy to enhance credit risk management. By promoting responsible borrowing practices and providing financial literacy, MFIs can improve repayment rates, reduce delinquencies, and positively impact their financial performance."

4.7 Chapter summary

The chapter focused on presentation, analysis and discussion of study findings. Data was presented using tables. The research used Pearson correlation coefficient analysis by means of simple bivariate correlation and regression to analyse the relationship between dependent and independent variables of the study. The next chapter provides the study summary, conclusions and recommendations.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The previous chapter focused on analysis, presentation and discussion of findings. The chapter included a presentation of quantitative data and qualitative data. The chapter included qualitative data analysis and quiantitative data analysis that includes; the relationship between Non-Performing Loans on the financial success of MFI's; the effect of credit risk management system on the financial performance of MFIs; the relationship between credit rating system and financial performance of MFIs and the extent to which collateral evaluation system affect the financial performance of MFI's. Also included in the previous chaptger were strategies to enhance credit risk management in MFIs. This chapter is summary, conclusions and recommendations. It includes a summary of the whole study, summary of major findings, conclusions, recommendations and recommendations for further study. It is based on the influence of credit risk management on financial performance of microfinances in Zimbabwe.

5.1 Summary of the study

This study was an examination of the influence of credit risk management on financial performance of microfinances in Zimbabwe.

It was motivated by the fact that the RBZ operations reports for MFI on the performance of MFIs indicated that there is lack of compliance in that regard despite legal requirements to that effect. The same also was noted by Zimbabwe Association of Microfinances Institutions (ZAMFI) in its surveys in 2021 and 2022 as it noted lack of compliance by 62% of the MFIs with regards to establishment of risk management departments. These problems trouble the MFIs if they are not detected for the futuristic survival of the organizations. Thus the objectives of the study were;

- To examine the relationship between Non-Performing Loans and Credit risk management on the financial success of MFI's.
- To assess the effect of credit rating system on the financial performance of MFIs

- To investigate the extent to which collateral evaluation system affect the financial performance of MFI's.
- To come up with the strategies to enhance credit risk management in MFIs.

The liteture review included a conceptual model that included the following variables; Credit Risk Management, Non Performing Loans (NLPs), Credit risk rating system, Colletaral Evaluation and Financial Performance based on the research objectives. The theoretical framework included the Portfolio Theory developed by Harry Markowitz. The theory allows investors to measure the expected risks and returns, as given statistically, for their investment portfolios. The principles of portfolio analysis that craft a strategy that offers high returns and relatively low risk is a priority for Microlenders. The effect of concentrating risk has lead to banks and financial institutions to diversify their exposure limit across the borrowers and among various type of debt facilitators.

The study was also guided by the The 5 C's theory of Credit Appraisal. Neale and Helm developed a credit appraisal theory basing of on C's. In ancient times the credit appraisal was based on three C's which are Capacity Condition and collateral setting a standard that estimates the probability of default and its impact on the firm's management credit standards. Capital and character were introduced later. The 5C's credit management is used by microfinance institutions to determine if a customer has the ability to repay the loan. Microfinance institutions may contemplate using this factor by learning and observing the applicant. The capability of a client repaying back the loan is determined, the groups the loan applicant associates with is also examined. The nature of the guarantors and types of groups will determine whether the loan applicant can be in a position to repay the loan. The lifestyle of an applicant, reference group, will tell if an applicant can qualify for a loan. Microfinance to be regarded as going concern, they need cash flow.

With regards to methodology, this study adopted a mixed methods approach. This study adopted Pragmatism as a research philosophy. Pragmatism emphasizes the practical consequences and usefulness of knowledge. In the context of research on MFIs, pragmatism allows for flexibility in selecting and combining research methods and approaches that best suit the research objectives

and the complex nature of the research topic. It recognizes the need to adapt to the specific context and constraints of the study, ensuring that the research findings are relevant and actionable for practitioners and policymakers in the microfinance sector. Pragmatism prioritizes the relevance and applicability of research findings to real-world situations. By adopting a pragmatic research philosophy, the study aims to generate insights that can directly inform decision-making processes in MFIs, helping them improve their credit risk management practices and enhance their financial performance.

This study adopted a mixed methods research approach. This study adopted a mixed methods approach because it facilitates the inclusion of diverse stakeholder perspectives in the research. Quantitative methods provide a broad overview of credit risk management practices and financial performance, while qualitative methods allow for the exploration of stakeholders' experiences, perceptions, and insights. By integrating these perspectives, researchers can gain a holistic understanding of the influence of credit risk management on financial performance from the viewpoints of MFI managers, loan officers, risk managers, clients, regulators, and other relevant stakeholders. This inclusive approach enhances the relevance and applicability of the research findings to the microfinance sector.

In this study, the use of multiple methods in a mixed methods approach enabled triangulation, which involves cross-validating findings from different data sources and methods. Triangulation strengthens the validity and reliability of the research by mitigating the limitations and biases of individual methods. In the context of studying credit risk management and financial performance in MFIs, triangulation can help identify converging or diverging patterns, highlight inconsistencies or discrepancies, and provide a more robust basis for drawing conclusions and making recommendations.

The current study adopted the explanatory research design. The adoption of an explanatory research design in a mixed methods study on the influence of credit risk management on the financial performance of microfinances helped to provide valuable insights and enhance the understanding of this complex relationship. This study adopted an explanatory research design because an explanatory design allows for a sequential approach, where quantitative data is

collected and analyzed first. By using an explanatory design, the researcher employed triangulation, which involves comparing and contrasting findings from the quantitative and qualitative components.

The population for this study was drawn from 206 MFIs which are credit providers only. The other MFIs which offer credit and which are deposit taking are excluded from this study because the manner in which risk is managed in those kind of entities is different as noted by Coufal and Langere (2021). Thus the population for this study was 1236 considering that all credit providing MFIs are required to have a minimum of 6 employees per branch by the RBZ. The population includes; finance directors, risk and compliance officers, loan officers and accountants.

From the 206 credit only MFIs in Zimbabwe, the current study made use of only 10 MFIs. The sample respondents will be draw from the following MFIs which are based in Masvingo. These include; Creditplus, Creditconnect, Cherywerk Microfinance, Credit Link, Inclusive Microfinance, Solten Microfinance, Maxbarxs Microfinance, Willbey Microfinance, Wisrod Microfinance and Virly Microfinance.

The sample size was determined using the Raosoft calculator found on Raosoftcalculator.com. For this study, the sample was determined to be 294. The study adopted a stratified sampling because it allows the researcher to divide the population of microfinance institutions into relevant subgroups or strata based on specific characteristics. These characteristics include; nature of operations (credit only), geographical location (Masvingo) and operational structure (Must have credit risk management departments).

The researcher adopted closed ended questionnaires and structured interviews as research instruments. Closed-ended questionnaires generate quantitative data that can be analyzed using statistical methods. This allowed the researcher to quantify and measure the relationship between credit risk management variables and financial performance indicators. Closed-ended questionnaires are particularly advantageous when aiming to collect data from a large sample of microfinance institutions which is the case in this study. Due to their structured format, closed-ended questionnaires can be administered to a large number of participants efficiently, saving time and resources. This larger sample size increases the statistical power of the study and

improves the generalizability of the findings to the broader population of microfinance institutions.

Structured interviews were highly useful in a mixed methods research study on the influence of credit risk management on the financial performance of microfinance institutions. Structured interviews provide a standardized and systematic approach to data collection. The choice of structured interviews is justified as it allowed the researcher to focus on specific areas of interest related to credit risk management and financial performance. By designing a set of relevant questions, the researcher will ensure that the necessary information is collected from each participant. This targeted approach helps gather data that directly addresses the research objectives and facilitates a comprehensive understanding of the factors influencing financial performance.

Data analysis was done in two parts. That is quantitative analysis and qualitative analysis. Data obtained with the use of the questionnaire research instrument was analysed through the Microsoft excel. In consideration was inferential statistics (correlation and regression) and descriptive statistics (mean, mode) mainly for demographic data. Thematic analysis was used in the analysis of qualitative data.

5.2 Summary of major findings

The major findings of the study were as follows, regarding the first objective the study reveals a positive and strong relationship between Non-performing loans and financial performance (r=.555) and there was a significant statistical association between Non-performing loans and financial performance because the P-value was 0.000 which is less than the level of significance 0.05.

Concerning the second objective the study found a positive a positive and strong relationship between credit risk management and financial performance (r=.567) and also there was a significant statistical association between credit risk management and financial performance because the P value is 0.00 which is less than the level of significance 0.05.

Regarding the third objective the study found a positive and weak relationship between credit rating system and purchase intention (r=0.006) and there was no significant statistical association between credit rating system and market share because the P -value is 0.793 which is more than the level of significance 0.05.

Regarding the final objective the study found a positive and strong relationship between collateral evaluation system and financial performance (r=560) and there was a significant statistical association between collateral evaluation system and financial performance because the P-value is 0.00 which is less than the level of significance 0.05.

It is suggested that strategies to enhance credit risk management for effective fianncial poerfoamance oi MFIs can include; implementing a robust credit risk assessment framework to enhancing credit risk management and improving the financial performance of MFIs. It also came out that regular monitoring and proactive management of the loan portfolio are key strategies to enhance credit risk management.

Some participants also suggested that MFIs could diversify the loan portfolio is an effective strategy to mitigate concentration risk and enhance credit risk management. Others pointed out the investing in advanced credit scoring models and data analytics can significantly enhance credit risk management and the financial performance of MFIs. Lastly, there were also suggestions pointing to the need to foster strong relationships with borrowers through effective communication and financial education programs is a valuable strategy to enhance credit risk management.

5.3 Conclusions

It is concluded that there is a significant relationship between Non-Performing Loans (NPLs) and credit risk management in microfinance institutions (MFIs). Effective credit risk management practices, such as robust credit assessment frameworks, regular monitoring of loan portfolios, and proactive management of delinquencies, have been found to reduce NPL ratios and improve the financial success of MFIs. By implementing strategies to enhance credit risk management, MFIs can mitigate the risk of defaults and improve their overall financial performance.

It is concluded that there is a negative effect of implementing a credit rating system on the financial performance of MFIs. A credit rating system is not helping much in assess the creditworthiness of borrowers and it is not effectively enabling MFIs to make informed lending decisions. However, literature points out that by accurately evaluating borrower risk profiles, MFIs can reduce default rates, improve loan quality, and enhance their financial performance. Furthermore, a credit rating system provides transparency and credibility to investors and funders, attracting more capital and positively impacting the financial success of MFIs.

It is also concluded that collateral evaluation systems does play a significant role in the financial performance of MFIs. Effective collateral evaluation helps MFIs assess the value and quality of collateral offered by borrowers, reducing credit risk and potential losses. Implementing comprehensive collateral evaluation systems enhances the accuracy of loan valuations, improves loan recovery rates, and positively impacts the financial success of MFIs. Furthermore, proper collateral evaluation enables MFIs to secure their loan portfolios against potential default, contributing to overall financial stability.

The following strategies are key to improve credit risk management among MFIs in Zimbabwe;

- Implementing a robust credit risk assessment framework that includes thorough borrower evaluation, collateral assessment, and repayment capacity analysis.
- Regularly monitoring and reviewing the loan portfolio to identify early warning signs of potential default and take timely corrective actions.
- Diversifying the loan portfolio by serving different customer segments and sectors to reduce concentration risk.
- Investing in advanced credit scoring models and data analytics to improve the accuracy of credit risk assessment.
- Fostering strong relationships with borrowers through effective communication and financial education programs to promote responsible borrowing practices.

5.4 Recommendations

Based on findings of the study, it is recommended that in the context of credit risk management in Zimbabwe's microfinance sector each stakeholder must do the following:

5.4.1 Government and Regulators

- Strengthen the regulatory framework: Enhance regulations related to credit risk management in microfinance institutions (MFIs) to ensure prudential standards, transparency, and accountability.
- Provide capacity-building support: Offer training programs and technical assistance to MFIs on credit risk management practices, helping them build internal capabilities and adhere to regulatory requirements.
- Foster an enabling environment: Create a conducive business environment that promotes financial inclusion, innovation, and responsible lending practices while balancing prudential considerations.

5.4.2 Microfinance Institutions (MFIs)

- Develop robust credit risk assessment frameworks: Establish comprehensive credit risk assessment processes, including borrower evaluation, collateral assessment, and repayment capacity analysis. Regularly update and refine these frameworks based on industry best practices and regulatory requirements.
- Strengthen risk management systems: Implement effective loan portfolio monitoring systems to identify and mitigate potential credit risks in a timely manner. Develop internal risk management policies and procedures to ensure proactive management of credit risks.
- Invest in technology and data analytics: Leverage technological advancements to enhance credit risk management practices. Implement credit scoring models, data analytics tools, and digital platforms to improve credit risk assessment accuracy and efficiency.

- Foster financial literacy and education: Offer financial literacy programs to borrowers, helping them understand the risks and responsibilities associated with borrowing. Promote responsible borrowing practices and provide ongoing financial education to enhance repayment behavior.

5.4.3 Borrowers

- Enhance financial literacy: Actively participate in financial literacy programs offered by MFIs and other stakeholders. Improve their understanding of credit terms, loan obligations, and the importance of timely repayments.

- Responsible borrowing: Borrow only what is necessary and within their repayment capacity. Evaluate their financial needs and potential risks associated with borrowing before taking on loans. Maintain open communication with MFIs and promptly inform them of any potential repayment challenges.

- Timely repayments: Make consistent and timely loan repayments to build a positive credit history and maintain a good relationship with the MFI. Responsible repayment behavior contributes to the overall stability of the microfinance sector.

5.5 Recommendations for further study

There is need for a comparative analysis to gain insights into the uniqueness of Zimbabwe's microfinance sector. There is need to consider including a comparative analysis with other countries or regions. This can help identify similarities, differences, and potential best practices that can be adapted to the Zimbabwean context.

There is need to also assess the impact of regulatory frameworks. It is important to investigate the effectiveness of the existing regulatory framework in Zimbabwe in promoting sound credit risk management practices.

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APPENDIX 1: QUESTIONNAIRE

My name is Prisca Jinga a student studying towards attainment of a Master of Commerce Degree in Professional Accounting and Corporate Governance/grad ICSAZ with Great Zimbabwe University. In partial fulfilment of the requirements of the programme, I am carrying out a research study entitled "**The influence of credit risk management on financial performance of Microfinances in Zimbabwe."** I kindly request that you assist me in my studies by completing this questionnaire. Note that the information obtained will be treated with confidentiality and that the results will be used in an aggregated form without reference to individual answers. Furthermore, participation in this study is voluntary. Your co-operation will be greatly appreciated.

Contacts: **+263 773 771 035**

General Instructions

1. Please kindly attempt all questions filling in open spaces and ticking your selected choice(s).

2. Kindly add any information you might consider necessary at the end of the questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

Academic qualifications

Ordinary Level	
Advanced level	
Diploma	
Degree	
Postgraduate	

Gender

Male	
Female	

Working experience

1-5 years	

6-10 years	
10- 15 years	
Above 15 years	

SECTION B: The relationship between Non-Performing Loans and Credit risk management on the financial success of MFI's.

Please indicate your level of agreement with the following statements regarding non-performing loans using a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree):

	The relationship between Non-Performing Loans and Credit risk management on the financial success of MFI's	**1**	**2**	**3**	**4**	**5**
1	NPLs have a negative impact on the financial performance of MFIs.					
2	High levels of NPLs can lead to increased credit risk for MFIs.					
3	NPLs can result in decreased profitability for MFIs.					
4	NPLs can negatively affect the ability of MFIs to attract funding from investors or lenders.					
5	Reducing NPLs is a priority for the financial success of MFIs.					

SECTION C: The effect of credit rating system on the financial performance of MFIs

Please indicate your level of agreement with the following statements regarding the credit rating system using a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree)

	The effect of credit rating system on the financial performance of MFIs	**1**	**2**	**3**	**4**	**5**
1	A credit rating system is important for assessing the creditworthiness of borrowers in MFIs.					
2	The credit rating system provides a standardized and objective evaluation of borrowers' credit risk					

3	The credit rating system helps MFIs make informed lending decisions.					
4	The credit rating system allows MFIs to differentiate between low-risk and high-risk borrowers.					
5	The credit rating system helps in setting appropriate interest rates for loans.					

SECTION D: The effect of collateral evaluation system affect the financial performance of MFI's

Please indicate your level of agreement with the following statements regarding the effect of a collateral evaluation system on the financial performance of microfinance institutions (MFIs) using a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree):

	The effect of collateral evaluation system affect the financial performance of MFI's	**1**	**2**	**3**	**4**	**5**
1	A collateral evaluation system is crucial for assessing the value and quality of collateral provided by borrowers in MFIs.					
2	The collateral evaluation system helps in determining the maximum loan amount that can be granted to borrowers.					
3	The collateral evaluation system reduces the risk of loan defaults and non-performing loans (NPLs) in MFIs.					
4	MFIs with an effective collateral evaluation system experience improved financial performance.					
5	The collateral evaluation system enables MFIs to offer more competitive interest rates to borrowers.					

SECTION E: Strategies to enhance credit risk management in MFIs

Please indicate your level of agreement with the following statements regarding strategies to enhance credit risk management in microfinance institutions (MFIs) using a five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree)

	Strategies to enhance credit risk management in MFIs	**1**	**2**	**3**	**4**	**5**

1	Regular assessment and monitoring of borrowers' creditworthiness are essential for effective credit risk management in MFIs.					
2	MFIs should have well-defined credit risk policies and procedures in place.					
3	Thorough credit assessments of borrowers before granting loans contribute to minimizing credit risk in MFIs.					
4	The use of credit scoring models or statistical tools helps in evaluating and managing credit risk in MFIs.					
5	Effective loan portfolio diversification strategies reduce credit risk exposure in MFIs.					

The end thank you!

APPENDIX 2: INTERVIEW GUIDE

1. What credit risk management practices are employed by your MFI to assess the creditworthiness of borrowers?

2. How does your MFI determine the appropriate loan amount and interest rates for borrowers?

3. Can you describe the processes and tools used for credit assessment and evaluation in your MFI?

4. What strategies does your MFI have in place to monitor and manage credit risk throughout the loan lifecycle?

5. How does your MFI handle delinquencies and non-performing loans (NPLs)? Are there specific mechanisms or procedures in place for loan recovery?

6. In your opinion, how does credit risk management influence the financial performance of MFIs in Zimbabwe?

7. Can you provide examples of instances where effective credit risk management positively impacted the financial performance of your MFI?

8. How does the credit rating system impacted the financial performance of your MFI?

9. Based on your experience, what strategies or initiatives can enhance credit risk management in MFIs in Zimbabwe?

10. Are there any areas within credit risk management that you think need more attention or improvement?