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The Impact of Microfinance Institutions Lending on SMEs Growth in Zimbabwe

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ABSTRACT

This study investigated on how loans from microfinance institutions affect growths of SMEs. This study adopted pragmatism philosophy wherein both positivism and interpretivism approaches were deployed. This study also adopted descriptive and explanatory research designs; the explanatory design for quantitative research and the descriptive survey for qualitative research. Proportionate sampling was applied to individuals that participated in questionnaires and judgemental sampling to select respondents who participated in interviews. The study found that MFIs sell financial and non-financial products to clients. MFIs provide basic business skills, this finding extends current body of knowledge on MFIs lending impacts on SME growth. The study recommends that leadership strategy is one of the important strategies that can be embraced by MFIs to enable them survive competition in the market. This allows low-income families (SMEs) to stabilize their income flows and save for future needs. Policymakers and other social partners must develop and implement strategies to boost SME growth in their respective countries. To build a knowledge base for SME growth, authorities at the local, national, and regional levels must conduct evidence-based analysis to feed social dialogue and policymaking processes

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INTRODUCTION AND BACKGROUND TO THE STUDY

Globally, Small and Medium-sized Enterprises (SMEs) have grown in importance in terms of job creation and contribution to the economy. It is, however, disturbing to note that the full capacity of SMEs remains untapped. SMEs generate sales which guarantee sustainable livelihoods in communities. SMEs supply local supplies and services to large enterprises, ensuring affordable access to services (Eijdenberg, 2019). In many countries in Africa, SMEs account for a sizable proportion in the business sector, accounting for more than half of all jobs and contributing a sizable portion of GDP (Choongo et al., 2020). They account for nearly 85% of Ghana's productive sector employment and 70% of Ghanaian business. SMEs account for 91% of formal businesses in Nigeria, South Africa, and Egypt Statista (2007).

MFIs have a big role on the growth of the economy through mobilisation and deployment of financial resources. The financial services sector is largely comprised of insurance companies, pension funds, securities firms, banking institutions and microfinance firms Pawar et al. (2019) . This sector has been criticised for failing to serve the SME sector adequately. It has also been criticized for providing inadequate financial solutions that have not been customised to suit the needs of the SMEs sector (G. Nyikos, 2018). Banks and microfinance institutions in Zimbabwe have tended to employ similar financing mechanisms to both SMEs and larger clients (Karedza, 2019). Microfinance institutions, in particular, have often been called upon to adopt credit risk management systems that are customer friendly.

STATEMENT OF PROBLEM

Microfinance Institutions (MFIs) have made an attempt to serve SMEs with microfinance loan services, but so far, SMEs have not reaped many benefits from traditional formal financial systems. Because they are neglected owing to a lack of finance, Zimbabwe's SMEs sector has not showed any signs of growth. The lack of access to MFI credit for many SMEs has had a major negative impact on their growth. Although many MFIs offer microfinance loans to SMEs, there seems to be a concerning lack of interest in assessing how these loans affect the expansion of SMEs. It's unclear yet if the actions being taken will be enough to encourage SMEs to get funding from MFIs.

OBJECTIVES

The main objective was to determine the impact of microfinance institutions lending on SMEs growth.

QUESTIONS

The main question was, “What are the impacts of microfinance lending on Small to Medium enterprises (SMEs) growth?”

HYPOTHESES

H0: Microfinance lending has a negative impact on SMEs growth.

H1: Microfinance lending has a positive impact on SMEs growth.

SIGNIFICANCES OF THE STUDY

This section seeks to provide the justification or significance of the study and is grouped into: theoretical contribution, practical contribution and lastly methodological contribution.

Theoretical contribution

This study contributes to the literature in several ways. The study adds value to the board of literature on the impact of microfinance lending to SME growth which is limited in Zimbabwe. Furthermore, the findings help SMEs to realize how best to access microfinance loans and are a basis for further research for further studies. The study sheds light on the understood aspects of the theme and includes in the discussion of the impact of microfinance institutions lending on SMEs growth.

Practical contribution

This study also assists microfinance institutions, the Reserve Bank, SME policy, government and regulators to better understandand and appreciate the impact of microfinance lending to SME growth in Zimbabwe. As such they can formulate appropriate policies and laws that may help to boost SME growth. Insights from this study are useful to SMEDCO in developing and reviewing their policies to encourage SME growth in a dynamic environment. SMEs too may benefit, for them to succeed they need access to microfinance lending services, be continuously innovative and provide products and services that are of great value to customers which are addressed in this research. In managerial aspects, this study supports managers to make informed decisions based on the effectiveness microfinance institutions lending to SME growth. Moreover, the study also supports formulators of public politics and regulators to make use of the conclusions and recommendations made in this research.

Methodological contribution

The methodological contribution of this study lies in the experiences gained through the application of a survey research design, a positivist approach and other techniques that are going to be used to collect and analyse data. These experiences may be very useful for future studies on the impact of microfinance lending to SME growth especially in developing nations like Zimbabwe.

LITERATURE REVIEW

The previous section gave background to impacts of microfinance lending to SMEs growth. It also provided a narrative of problem and objectives. This section provides various studies on impacts of microfinance lending to SMEs growth. It covers conceptual and theoretical frameworks. This study was guided by the Financial Inclusion (FI) theory and other relevant theories and models

HISTORICAL DEVELOPMENT OF MICROFINANCE LENDING

The specialized area of microcredit gave rise to the wider field of microfinance (Rachman & Ari, 2023). While microfinance encompasses a wider range of financial services for the impoverished, microcredit is limited to the provision of modest loans to the underprivileged. In Europe, pawn shops were founded in the fifteenth century as a substitute for predatory moneylending, which is when the concept of microfinance first emerged. In Ireland, the Irish Loan Fund System was started in the 1700s. In the 1800s, financial cooperatives began to appear in Germany. According to Choongo et al. (2020), these were made by Friedrich Wilhelm Raiffeisen and his allies. The goal of these cooperatives was to make life better for the impoverished in both rural and urban areas.

Microfinance developed and grew out of the specialized field of microcredit Rachman and Juliana (2023). Microfinance is a broader notion that incorporates a wider range of financial services for the poor, whereas microcredit is a limited perspective that focuses on giving small loans to the poor. The idea of microfinance originated in Europe in the fifteenth century when pawn shops were created as alternatives to predatory moneylending. In the 1700s, the Irish Loan Fund System was founded in Ireland. Financial cooperatives first appeared in Germany in the 1800s. These were made by Friedrich Wilhelm Raiffeisen and his allies (Choongo et al., 2020). The formation of these cooperatives was intended to help the impoverished in both rural and urban areas. By establishing the Indonesian People's Credit Banks in 1895, Indonesia pioneered the concept of banks for the poor.

In the early 1900s, savings and credit activities began to appear in Latin America and elsewhere Njagi et al. (2021). New banks for the poor were established in order to mobilize 'idle' savings and encourage investment. The banks, however, were not owned by the poor, but rather by government agencies and private banks. Njagi et al. (2021) lament that the institutions were inefficient and corrupt. Governments and donors developed the idea into agricultural financing between the 1950s and the 1970s Njagi et al. (2021) . Increasing the production and revenue of small and vulnerable farmers through financing was the aim of agricultural credit.

Banks under government ownership were lending money at interest rates below market. Financial institutions suffered as a result since they were unable to recoup their expenses (Eijdenberg & Ehmann, 2019). Customers also thought that government loans were gifts, which affected the payback rate negatively. The issue still exists in developing nations where politicians take advantage of this weakness to win over voters. In other instances, credit went to influential and affluent farmers (the rural elites) rather than the impoverished. The creation of microcredit programs was spurred by the discovery of institutional obstacles to lending and saving money to the underprivileged Andrikopoulos and Triantafillou (2021). Information asymmetry, a lack of collateral, high transaction costs, excessive risk, and systematic market bias are some of the structural obstacles that the poor must overcome. Proponents of microcredit, including FINCA and Yunus, contend that credits are the answer to these problems. According to Ahmad (2022), "the loans will then assist them in developing their businesses and entering a virtuous cycle and breaking free from the "vicious cycle" of poverty." The Grameen Bank attracted international recognition for its excellent loan recovery rate and success in reaching out to the impoverished.

In the early 1990s, the term "microcredit" was being replaced by "microfinance" Engel and Pedersen (2019). Success of MFI lending programs led to 1997 microcredit summit, which drew many delegates (2900) from a number of countries (137) and organizations (1500) world over. In the late 1990s, the term microfinance emerged and took centre stage (Hughes, 2021). Hughes (2021) distinguish between "microcredit" and "microfinance" from a functional and conceptual standpoint. Microcredit entails making small loans to the poor (credit is the missing piece). Microfinance, on the other hand, includes a variety of financial and non-financial services such as savings, insurance, money transfers, training, and social engagements in addition to credit (Chliova et al., 2021). Microfinance is now available from traditional informal suppliers to commercial banks. Commercial banks are beginning to enter the microfinance sector in order to provide financial services to the underprivileged. However, most traditional banks are hesitant to take on the challenge of lending to the poor because they regard them as risky borrowers.

Microfinance involves serving the poorest populations which include the unbanked women and youths. They provide marginalised with financial products, mainly credit loans for consumption and for business growth and maintenance Andrikopoulos and Triantafillou (2021) . The main duty of MFIs is to serve under banked, unbanked and micro enterprises. Microfinance is central to financial inclusion which, among others, transforms economies through fulfilment of SDGs.

THE IMPACTS OF MFIS

SMEs that can get loans have abilities to withstand high risks, use best risk-management policies, and improve customer consumption patterns over time (Yaroshchuk et al., 2020). In fact, microfinance and microcredit lead to high SME productivity. According to Addae-Korankye (2020), MFIs give long-term loans to people living below the poverty datum line. Furthermore, as noted by G. Nyikos (2018), microfinancing improves the standards of living of poor people because of their broad reach and financial sustainability.

In a research on the effect of MFIs in Malawi and Ghana, Kenya; Njagi et al. (2021) established that literature does not validate a claim that there is a significant effect of microfinancing to clients in form of increased flow of income or employment levels. However, a study by Engel and Pedersen (2019) , found that microfinance, management models and technology advancement combined, had a significant and positive effect on SMEs, particularly levels of income. Veiga and Mccahery (2019) assert that poverty alleviation efforts in developing countries were most strong if implemented on household levels. Ochuko et al. (2021), state that microfinance institutions assist families in establishing businesses which enables them to escape poverty and establish economic activities that ensure sustainable livelihoods. Murdoch (2020) observes that microfinance acts as a stabilizer rather than a catalyst for SME growth. Microfinance provides income stabilization rather than income growth. Microfinance is thus more effective at preserving employment opportunities than it is at creating them (Murdoch, 2020).

Farirai (2022) discovered that village banking systems did not generate any physical assets. Wilson states that women who banked had a higher chances of getting into endless cycles of clearing loans or debts. Additionally, this was linked to using loans for consumption instead of developing their businesses. Wilson notes that in such a system women were compelled to take out large loans at very exorbitant rates to payoff previous loans. Wilson states that, microfinance is not the best measure to alleviate poverty. He claimed that poor people mired in poverty because of challenges in accessing markets and uneven allocation of resources, not due to lack of microfinance loans Rachman and Juliana (2023). Statista (2007) contends that when population's economy and asset base rise, household profits tend to fall. Microfinance does not affect household income or the growth of SMEs. This is caused by poor development in the country's markets or even the infrastructure itself. Numerous researches provide findings which say empowerment of gender through microcredit or microfinance had negative effects on levels of poverty. These findings are also supported by Eijdenberg et al. (2019); Eijdenberg and Ehmann (2019); Abdallah and Eijdenberg (2019). According to Engel and Pedersen (2019) microfinance did not lead to gender empowerment. This was attributable to the fact that men have control over the loans obtained by women, particularly where the women were married. In fact, Ahmad (2022) conclude that women were marginalized in terms of access to microcredit or credit in general.

In today's business world, all organisations want to expand or produce supernormal profits. Hughes (2021) states that firm growth can be measured in terms of relative level or size and other aspects in businesses that are quantifiable. Furthermore, growth is assessed in form of increased effectiveness or efficiency and changes which benefit an organisation (Hughes, 2021). Firm size is the result of long-term growth; as such it is not a destination or an event but is a process. Variables which stimulate SME development include viable opportunities of investment, human resources capital, capital outlay and adoption of state of the art management styles which are modern and appropriate (Churchill, 2020). However, in order for an organization to prosper, it needs to have access to adequate resources. Such resources can be made available by microfinance institutions by structured lending policies which is particularly true in small-sized enterprises Farirai (2022). MFIs offer both enterprise development and business development services. This category includes services that are not financial, delivered through MFIs which affect expansion, growth and SME management worldwide. Training in business, provision of technology and marketing and services and subsector analysis and various assistances are examples of services offered by MFIs (Churchill, 2020). Provision of such services yields improved management of SMEs and their expansion into large corporations, as well as creating jobs, ultimately resulting in improved living standards.

Chliova et al. (2021), postulate that, "microfinance institutions have a significant positive effect on growth of economy and overall prosperity of the nation." Some services delivered by MFIs which are not financial attracted new technologies or skills adoption in various sectors in the economy. Enterprise development has therefore been enhanced by efforts made which aimed at providing special skills training and business management. In fact, MFIs have improved education, training, and literacy in business management (Karedza, 2019). MFIs have also aided in the transformation of businesses. Training, technology transfer, market exploration, and technical assistance from MFIs have all contributed to enterprise transformation. In fact, this has had a significant positive impact on SME production.

MICROFINANCE LENDING AND SME GROWTH

In Africa, accessing credits is considered an important factor SMEs growth (Eijdenberg, 2019). Loans supplement levels of income and create employment opportunities which ultimately reduce poverty and improve the general public's welfare and living conditions. According to Hussen et al. (2021) accessing credits assist SMEs to solve cash challenges or promote growths of their enterprises and the acquisition of latest technology in areas such as agriculture which leads to an overall increase in agricultural production Hussen et al. (2021) .

Several studies have found that savings-led groups outperform credit-led groups Mago et al. (2022). Access to microfinance has the potential to help SMEs improve their incomes and consumption (Chliova et al., 2021). It also assists SMEs in diversifying their sources of income. According to Murdoch (2020) microfinance lending makes considerable contribution to SMEs growth and poverty reduction in general. Access to microfinance further assists through increasing the amount of income and builds asset opportunities hence diversifying income streams for SMEs thereby making them less reliant on a single asset type (Eijdenberg et al., 2019). Majukwa (2019) reports that many SMEs that take microfinance loans actually build larger enterprises and expand their lines of business. Churchill (2020) corroborated the view that SMEs' growth in income and assets base has been attributed to the access to microfinance lending facilities. The growing investments attributed to access to credit led to an increase in productivity, sales and household expenditures Kaur et al. (2022). In Majukwa (2019), they found that SME sales and profits increase significantly when they can easily access capital. In 2018 the Agricultural Finance Cooperation of India, carried a research on the impact of MFI policies on small companies. SMEs showed a rise in productivity and sales Pawar et al. (2019) . As a result, there is reason to believe that MFIs impact SMEs positively.

FINANCIAL INCLUSION THEORY

According to Emir et al. (2020) , financial inclusion is a process by which mainstream institutional players guarantee that vulnerable groups, such as lower income and weaker sections of society, have access to appropriate financial products and services at very affordable costs in a fair and transparent manner. All ”bankable” people and businesses have ”access” to credit through the inclusive financial sector, which also provides insurance to all eligible people and businesses, as well as savings and payment services to everyone Murdoch (2020) . Not every qualifying SME must use every service offered by an inclusive financing program, but they should have the option to do so if they so want. Financial inclusion, according to Chliova et al. (2021), is the ability of people and organizations to obtain advantageous and reasonably priced formal financial services that can meet their demands in an ethical and long-term manner. The ensuing contribution to theory building aids in the global agenda on financial inclusion’s problem-solving process.

Financial inclusion (FI) is the process through which all households and enterprises, regardless of income level, have access to and are able to use the necessary financial services to enhance their life, according to the Rbz (2020). Financial inclusion, according to Hussen et al. (2021), is a condition in which people have easy access to a comprehensive range of financial services at reasonable costs, in a way that upholds their dignity and respect. Customers must be able to access these services responsibly, safely, and sustainably in a setting that is suitably controlled. Global and national authorities are putting financial inclusion at the top of their development agenda. The four pillars of financial inclusion are welfare, utilization, quality, and access Emir et al. (2020) . Macro-economically speaking, financial inclusion can lead to a more varied deposit base and a stronger, more stable financial system (Mamo, 2022). The IMF claims that barriers arising from a range of macroeconomic outcomes, including economic development, income distribution equity, and a stable business environment, have an impact on financial inclusion inside a nation (Mazikana, 2019).

Digital financing has been aided by advances in information and communication technology. Digital technology has been identified as a positive step toward financial inclusion by development agencies, government or even the providers of services Kaur et al. (2022) . The availability of digitally enabled services such as digital banking makes it possible for the disadvantaged people to make simple electronic transfer payments. This has assisted in reducing financial cases of crime and also theft cases involving cash transactions, as well as the risk of loss. For those who are financially and socially excluded, digital financing is a good solution and appears to be a better remedy (Murdoch, 2020). The effort to promote financial inclusion may assist to solve Zimbabwean challenges of accessing finance, which may be impeding small businesses’ growth.

According to Financial Inclusion Alliance (FIA), use of latest phones that are smart as well as the internet broadband is currently very important to financial inclusion through promoting microfinance lending and SME growth as they support access to safe or cheaper financial products like credits and money transfers. Pawar et al. (2019) claim that mobile technology have really caused a fault in the financial industry. The creation and adoption of digital innovations are facilitated by financial inclusion, and collaborations may enhance the way financial goods are delivered. Credit, ATM and smartphone use, simple access to payment options, and even savings are all encouraged by increased financial inclusion (Veiga & Mccahery, 2019).

There is a larger chance of increased investment, job possibilities, higher income levels, fewer rates of poverty, and the prospect for sustained economic growth if a sizable portion of the population has formal access to financial services (Idrees et al., 2022). To improve financial inclusion for the vast majority of people, microfinance providers must reduce account operation expenses, particularly for clients in rural areas (Karedza, 2019). It has become challenging for formal financial institutions with a business model to offer enough and appealing financial products to rural populations due to high transaction costs in sparsely populated areas and strict and complicated methods of assessing the risk profile of rural clients Pawar et al. (2019). The development of SMEs will surely depend on how well information and communication technology is handled, especially as it relates to financial transfers, capital costs and their utilization, and financing availability.

Based on data from Zimbabwe, it appears that financial institutions have expanded their reach and depth in offering a wide range of products and services, all aimed at decreasing economic inequality and promoting economic development (Rbz, 2020). Similarly, Chliova et al. (2021) established that financial inclusion promotes production, this is sustained through efficient or effective allocation systems of scarce resources for societal well-being. According to Majukwa (2019), financial services mobilize more household savings, leverage capital for investments, or broaden the class of entrepreneurs. Loans, overdrafts, pensions, insurance services, and payment modes are examples of microfinance services. Financial inclusion, according to Churchill (2020), assist in channeling the flowing of funds in a nation to ensure that people can easily have access.

Macroeconomic policy frameworks are more successfully implemented when financial inclusion starts at the person level. According to Mamo (2022), countries with high levels of household financial inclusion have higher GDP revenue and spending as well as a larger fiscal multiplier. They also claim that these countries have higher output elasticity to interest rates. Consequently, financial inclusion (FI) tackles the usefulness and affordability of financial services for the underprivileged, especially those living in rural areas. Churchill (2020) argues that in order to advance financial inclusion, all parties involved should cooperate to increase the number of funding sources available in the majority of rural areas and to offer infrastructure services. In order to finally address the expansion of SMEs, the Zimbabwean government should also create laws to expand microfinance lending services to cover everyone, including some who live in rural areas and are financially excluded.

RESEARCH METHODOLOGY

The previous section reviewed literature on impacts of microfinance lending on SMEs' growth. Literature shows that MFIs are not doing enough to significantly contribute to the growth of SMEs. This section discusses ways and techniques adopted when conducting this research. Research methodology section seeks to analyze how specific methodologies affect a given investigation. A primary goal of methodology is demonstrating the data collection; analysis stages, procedures, and methodologies. The research was guided by objectives and methods of gathering data.

RESEARCH PHILOSOPHY

Research philosophy, according to Guad (2021); Agresti (2019), refers to the expansion of information and beliefs that influence how individuals perceive the world. These viewpoints validate the chosen study approaches and techniques (Kaushik & Walsh, 2019b). Mccombes (2019) identified three well-known philosophical research paradigms that are commonly usually used in guiding data collection or analysis which are: inter-pretivism, positivism and constructivism. Understanding these paradigms, their origins and principles, and deciding on which one is most suitable in a research and how it affects design, methodology, and analysis is critical (Saunders et al., 2019). This study adopted pragmatism philosophy as it used both positivism and interpretivism philosophies in line with the respective adoption of a mixed approach (ibid.).

RESEARCH DESIGN

A research design is a plan used in collecting, measuring, and analyzing data in order to effectively address research questions (Wilson & Anagnostopoulos, 2021b). This study adopted descriptive and explanatory research designs; the explanatory design for quantitative research and the descriptive survey design for qualitative studies. Explanatory design is used to further investigate a researcher's views and thoughts on a phenomenon Kamal (2019) . The study explains previously unknown aspects of a subject and explains why, how, and what of questions (Al-Ababneh, 2020). It provides an explanation of the links that exist among variables discussed in chapters one and two. A descriptive design is used when a researcher is only worried about describing a case or scenario being investigated (Upadhyay, 2021). It is a theory-based design method that involves collecting, analysing, and presenting data (Kaushik & Walsh, 2019b; Palomo-Lopez, 2020). This allowed the researcher to give a variety of views covering study's why and how questions (Palomo-Lopez, 2020). The design brings clarity to the subject (Creswell, 2020).

TARGET POPULATION

A population, according to W Wilson and Anagnostopoulos (2021b) and Al-Ababneh (2020), is a set of elements, events, services, and people, group of things, or households under investigation. The term "target population" refers to things, people, or things containing the information sought by the researcher. The microfinance institutions, small and medium enterprises, RBZ and SMEDCO within Harare Central Business District were the study's target population. Zimbabwe's population was 15 178 979 as of 20th April 2022, with 7 289 558 (48%) males and 7 889 421 (52%) females, for a sex ratio of 92 males for every 100 females (ZIMSTAT, 2022). With 16% of the population, Harare continues to be the most populated province, followed by Manicaland (13.4%), Mashonaland West (12.5%), and Bulawayo (4.4%), Matabeleland South (5%), and Matabeleland North (5.5%). The proportion of the urban population has risen from 33% in 2012 to 39% in 2022. According to ZIMSTAT (2022) the population of Harare city is rapidly growing day by day and the city has approximately 2428627 inhabitants and 18698 SMEs (as of 2022). Harare city offers growth opportunities for SMEs due to its rapid expansion. According to the RBZ (2021) report on microfinance operations, Zimbabwe has 198 registered microfinance institutions, with some having branches throughout the country. For the purposes of this study, 198 MFIs were considered as part of the target population.

SAMPLING METHODS

According to Creswell (2020) and Kamal (2019) , it is unlikely that a researcher will be able to gather information from every example in order to address the study questions. Thus, choosing a sample is necessary. The target population is the total set of cases that the researcher sample is taken from (Kaushik & Walsh, 2019b; Mccombes, 2019). For SMEs respondents (questionnaires), the researcher used probability (proportionate stratified random sampling); for

MFIs, RBZ, and SMEDCO respondents (interviews), non-probability (judgmental) sampling was used.

DATA COLLECTION

Six different sources can provide case study evidence, according to II et al. (2019) : documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. It is important to remember that no source is better than any other. Since each source is extremely complementary to the others, a strong argument will draw from as many as possible (Morrow, 2020). Researchers gain from triangulation because it is very complementary to incorporate as many sources as feasible. The data conveys the whole narrative when primary and secondary data are merged into a single case study (Saunders et al., 2019). For example, semi-structured interviews could be a useful method of cross-checking information gathered from other sources, including surveys (Upadhyay, 2021). This justifies the use of questionnaires and interviews in this study.

Questionnaire

The researcher self-administered the questionnaires to respondents for collection of quantitative data. They were completed during the respondents' spare time after their day's busy schedules. Adoption and usage of questionnaires have suited the situations where there is limited access to respondents like in this case we have a large number of microfinance institutions, small and medium enterprises, RBZ and SMEDCO employees in Zimbabwe that are widely dispersed all over the country (Wilson & Anagnostopoulos, 2021b). Also, the questionnaires in this study have made the researcher overcome problems associated with limited time and resources where the researcher self-administered them to respondents and came back later for collection. To support these arguments, Saunders et al. (2019) argued that it is quicker, less costly and convenient to collect data from various respondents in widely dispersed locations, which is an aspect that has increased external validity. The questionnaire enabled respondents to complete their responses anonymously, ensuring confidentiality without the researcher's undue influence thereby overcoming bias. Also, there was no need to nurture the interviewer's skills (Mccombes, 2019). The usage of closed-ended questions in this questionnaire survey has made it possible for data to be analysed accurately by various statistical packages such as SPSS for this study, an aspect that enhanced the reliability of the results (Kaushik & Walsh, 2019b; Saunders et al., 2019).

Interview guide

Semi-structured interviews were used to collect qualitative data from people that are actually involved in microfinance institutions lending of SMEs in targeted microfinance institutions, small and medium enterprises, RBZ and SMEDCO employees in Zimbabwe. After obtaining insights, opinions, and impressions from the available participants to guide these interviews, a comprehensive interview guide featuring open-ended questions was produced with reference to previous literature Kamal (2019) . Four open-ended questions were included in the interview process to enable the participants to go into further detail about their experiences about the influence of microfinance institutions' financing on the expansion of small and medium-sized enterprises.

According to Creswell (2020), interviews ought to "flow naturally" and "be rich in detail." In addition, the interviews for this study have helped the researcher probe participants for additional information based on the flow of their responses, enabling a deeper exploration and examination of the impact of microfinance institutions lending on the growth of SMEs (Guad, 2021). As a result, these processes have improved the data's richness and depth for this investigation. The researcher has also been able to examine the participants' experiences in a more powerful and captivating way thanks to these semi-structured interviews than would be feasible with just quantitative study (Morrow, 2020).

Additionally, the researcher has been able to obtain information on complex issues and a "deeper" understanding of social phenomena through the use of interviews, which have allowed the researcher to question respondents' responses in-depth and in detail in a way that was not possible with only quantitative survey questionnaires (Palomo-Lopez, 2020). Additionally, they have made it possible to study the subject in question in realistic settings, based on the participants' actual experiences and interpretations of those experiences, without sacrificing any of its complexity or context (Agresti, 2019). Al-Ababneh (2020) shares a similar perspective and believes that conducting interviews is a useful way to investigate how meanings are constructed and negotiated in natural environments.

A degree of control over the questioning strategy has also been provided by interviews, allowing the researcher to change their focus when new information became available (Creswell, 2020). Furthermore, participants now have the liberty to voice their opinions according to their own terms thanks to the usage of interviews. Additionally, by promoting two-way communication, interviews provide respondents with an opportunity to clarify any issues they may have, which has improved the accuracy of the data gathered (Kaushik & Walsh, 2019b).

Interviews were a very effective method of acquiring extensive data, but because the information came directly from the respondents, they were limited in what they could acquire in terms of subjective information.

VALIDITY AND RELIABILITY

The study used pilot study and Cronbach alpha to test validity and reliability respectively in this study. The goal of the pilot study was to undertake an evaluation of the appropriateness or applicability of the chosen research design and data collection instruments (questionnaires and interview guide). The researcher was able to determine the extent of interviewees' comprehension of the instrument's questions during the pilot testing phase (Agresti, 2019). Pilot testing also made it possible to identify any underlying flaws in the survey methodology or in the questions. Another method for estimating the amount of time required to deliver the questionnaire and interview is pre-testing (Upadhyay, 2021). Prior to conducting the final study, the major concerns that needed to be solved were identified and solved with the help of the pilot testing (Kaushik & Walsh, 2019b).

A high alpha score indicates greater internal reliability, while a low alpha score indicates that the measurement tool did not accurately capture the data it was intended to capture (Saunders et al., 2019). Cronbach alpha was also used to test the reliability of the data based on the formula first identified and named by American psychologist Cronbach Lee (Kupermintz, 2003). A Cronbach alpha of 0.7 and above has been reported by a number of authors as an acknowledged finding that shows the effectiveness of the data collection instrument and this threshold was adopted in this research.

DATA ANALYSIS TECHNIQUES

Data analysis was carried out using quantitative and qualitative techniques. In this study, qualitative data analysis entailed explaining information gleaned from interviews (Kaushik & Walsh, 2019b). Using numeric measures to establish scores of responses given by questionnaires was done in quantitative analysis (Palomo-Lopez, 2020). This involved the use of SPSS to generate descriptive statistics after data collection, estimate population parameters from the statistics, and make inferences based on the statistical findings (Upadhyay, 2021). To determine the relationship between MFI lending and SME growth, a multiple regression analysis was conducted.

RESPONSE RATE

The percentage of objects or subjects in a study that reply to a survey is called the response rate (Creswell, 2020).

According to Saunders et al. (2019; 2016) Saunders et al. (2019), a response rate is defined as the total number of responses obtained divided by the sample size after excluding ineligible respondents. The quantitative survey included 377 SMEs, while interviews included 5 respondents from RBZ and SMEDCO and 10 respondents from MFIs. The questionnaire and interview response rate results for this study are shown below.

DESCRIPTIVE ANALYSIS

Variables in the questionnaire were assessed based on a Likert scale analysis which rated each of the statements based on the level at which the respondents agreed with it, that is; 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree. A Mean of less than 1.5 was judged to be negative, of 1.5 to be neutral, of 1.5-3.0 to be positive and of more than 3.00 to be strongly positive. The standard deviations represented the variability of the data about the mean and a standard deviation of less than 1 was taken as low (stable) while that of more than 1 was taken to be high (unstable) (Palomo-Lopez, 2020).

MFI lending and SME growth

Source: Survey data (2023)

Table 1.
MFI lending and SME growth

	Item code	**Item description**	**Mean score**	**Mean Response**	**Std. Deviation**
Item code					
Mean Response					
B1	MFIs assist families and small businesses prosper in good times, and they help SMEs cope and rebuild in bad times.	1.722857	Agree	1.109448	
B2	MFIs provide financial and non-financial services	1.877143	Agree	1.108386	
B3	MFIsprovide credit and lending services e.g small loans	1.710602	Agree	1.107006	
B4	MFIs provide business skills such as savings mobilization and micro enterprise investment training	1.734286	Agree	1.107836	
B5	MFIs provide payment facilities, remittances or insurances	1.851429	Agree	1.110706	
B6	MFIs make capital investment decisions, manage general business, and manage risk.	1.697143	Agree	1.110968	
B7	Majority of SMEs in rural areas are cut-off completely from microfinance lending	1.902857	Agree	1.112341	
B8	The interest rates are determined on individual clients	1.765714	Agree	1.11143	
B9	MFIs put a small margin above the bank rate	1.531429	Disagree	1.115	
B10	MFIs lower interest rates to the poor compared to the rich	1.331429	Disagree	1.116649	
B11	MFIs stabilize the income flows of the poor so that they can save for their future needs.	1.965714	Agree	1.118059	
B12	MFIs take into consideration the risk factors when charging interests rates to different clients.	1.548571	Agree	1.114788	
B13	MFIs monitor businesses of their clients and also their contributions to economic growth	1.76000	Agree	1.120676	
	Overall	**1.723**	**Agree**	**1.112**	

According to Table 1, the mean and standard deviation are (M=1.723, SD=1.112); microfinance institutions lending patterns in Zimbabwe. The mean and standard deviation were (M = 1.331429, SD = 1.107006) and (M = 1.965714, SD = 1.120676), respectively. This suggests that respondents agree that, items given in the table reflect the impact of microfinance institutions lending on SME growth in Zimbabwe. From the questionnaires, 69% strongly agreed and 13.8% agreed that MFIs assist small businesses to grow and be agile during hard times hence cope up. However, from the 8 interviews carried out on MFIs, the results show that MFIs take into consideration the risk factors when charging interests rates to different clients. For instance, respondent 4 in the interview said "MFIs lower interest rates to the poor compared to the rich", and respondent 6 said "MFIs provide credit and lending services e.g small loans". Additionally, responses from the four (4) interviews carried out on Regulators show that MFIs are significantly contributing to individual growth of SME borrowers. MFIs take into consideration the risk factors when charging interests rates to different clients. For instance, respondent 3 in the interview said "MFIs are contributing positively to individual growth of SME borrowers". Respondent four (4) said "MFIs are significantly contributing to the growth of individual SME borrowers". These results were consistent with Mamo (2022), Farirai (2022) who found that MFIs provide skills of managing business in addition to microfinance lending to increase productivity of small businesses and the poor to use borrowed funds properly and successfully. MFIs offer financial as well as non-financial services. MFIs provide investment decisions (capital), business management in general, and risk management, according to Mazikana (2019). In good times, they also assist families or small businesses in prospering. In crisis times, they assist SMEs in coping and rebuilding.

CONCLUSION

The study concluded that MFIs sell financial and non-financial products to clients. MFIs provide basic business skills; this finding extends current body of knowledge on MFI lending impacts on SME growth Farirai (2022), (Mamo, 2022; Mazikana, 2019).

RECOMMENDATIONS

The study recommends that leadership strategy is one of the important strategies that can be embraced by MFIs to enable them to survive competition in the market. MFIs must become more adaptable, deploy creative and all-encompassing funding, do research, utilize technology, and personalize lending to SMEs. The majority of formal financial institutions view the poor as high risk and high cost due to the tiny transaction volumes and typically remote clientele. MFIs must break these barriers. This allows low-income families (SMEs) to stabilize their income flows and save for future needs. MFIs need to keep on providing their services to SMEs. MFIs also need to keep providing business training to equip SMEs with requisite skills in savings mobilization and micro enterprise investment options.

Policymakers and other social partners must develop and implement strategies to boost SME growth in their respective countries. To build a knowledge base for SME growth, authorities at the local, national, and regional levels must conduct evidence-based analysis to feed social dialogue and policymaking processes.

THEORETICAL IMPLICATIONS

The thesis contributed to the body of knowledge as it unpacked the impacts of microfinance lending to SMEs growth. The contribution of the research study lies in its attempt to address the research gaps in the field of microfinance lending and SME growth. The study blends different views from different scholars to emerge with concrete and detailed information which can be helpful in the quest to fulfil the aspirations of the National Development Strategy 1 (NDS1). The study also contributed to additional knowledge concerning the applicability of different theories to the concept of MFI lending and how these theories can be fine-tuned to properly align with SME growth. The study contributed to designing of a framework (conceptual) which clearly illustrates relationship between MFI lending and SME growth.

LIMITATIONS

Even while research has provided insightful information, there are always gaps that open up possibilities for more study. The results of this study may not apply to all MFIs and SMEs functioning in Zimbabwe, especially those from other cities, because it was geographically restricted to all SMEs, MFIs, and regulators working in Harare alone. Moreover, the questionnaire and interview survey procedures were costly and time-consuming for gathering data (Creswell, 2020). This is especially true for the questionnaire and interview participants, who were widely distributed, which limited the scope and geographic reach of the surveys. The corona virus made this restriction even worse, particularly when it came to fulfilling the World Health Organization's (WHO) social distance criterion. In order to solve this issue, a restricted sample of 392 people was used, along with 377 questionnaires and 15 interviews.

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